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NEWS SUMMARY

GENERAL

Dobson speech leak traced

A tape recording of Sir Richard Dobson's controversial speech to the Twenty Club, which led to his resignation as chairman of British Leyland, was made by Mr. Peter Cooper whose father invited Sir Richard to the function, according to a club official.

Mr. Anthony Pedlar, the club secretary, said last night that the invitation to Sir Richard was sent by Mr. John Cooper, former chairman of Goodbans of East London. Mr. Cooper's other guests included his son, Peter, who carried a tape recorder and recorded Sir Richard's comments.

This breach of confidence is without precedent in the 78 years of the club's existence, said Mr. Pedlar.

It is understood that Mr. Cooper, a former president of the club, has resigned because of the row.

Palma security

The Spanish Government has agreed to allow unarmed West German security experts to carry out checks at Palma airport. Story, on passengers bound for West Germany. Consent was given after Bonn had threatened to ban all flights originating from Palma. Back Page

Contempt action

Seven members of Newham North East Labour Party—including Mr. Andy Bevan, Labour's national youth officer—face contempt of court proceedings. They are accused of taking part in a local party general management committee meeting in spite of an injunction ordering them not to attend.

Hopes dashed

Mr. Ian Smith has told Rhodesians that he cannot see the latest Anglo-American settlement plan succeeding. The Rhodesian Prime Minister said in an interview that the plan would fail in its first major task—getting a ceasefire between the Rhodesian security forces and the black nationalist guerillas fighting for majority rule. Page 3

Aintree 'sold'

A three-man consortium is reported to have bought Aintree racecourse for between £2.5m. and £3m. Mr. Ronald Lasteed, a Maidstone scrap dealer who heads the consortium, said that it would guarantee the Grand National for 10 years and develop part of the site as one of Europe's biggest sports complexes. Back Page

Hunt victory

James Hunt won the Japanese Grand Prix to finish fifth in the 1977 world formula 1 drivers' championship. Nikki Lauda, who did not race at Mount Fuji, clinched the title at Watkins Glen earlier this month. More sport: Page 2

IRA to fight on

There is to be no Christmas ceasefire in Northern Ireland this year. The Provisional IRA army council stated that not only would the violence continue, but it would intensify. Page 36

Briefly . . .

Five people were killed and more than 100 injured in a hail storm in Maputo, Mozambique. Hail stones, weighing about 1lb., caused extensive damage in the airport and surrounding countryside.

Martin Bell, BBC-TV News diplomatic correspondent, has been named Television Reporter of the Year by the Royal Television Society.

A French television relay station was destroyed by an explosion during the week-end. A group seeking autonomy for Brittany claimed responsibility.

KLM Royal Dutch Airlines cancelled all its flights at Heathrow Airport yesterday after a strike by ramp baggage handlers.

BUSINESS

Singapore Airlines to fly Concorde

● SINGAPORE Airlines is to operate a Concorde on the Singapore-London route. This is a breakthrough for the aircraft in the Middle East.

The move is expected to create fresh interest in Concorde among other airlines, and the next step could be the use of Concordes on the London-Australia route. Back Page

● UNEMPLOYMENT figures due to be published to-morrow will provide the Government with a further reminder of the U.K.'s economic problems. Most economists expect the rising trend to continue well into the new year.

Mr. Michael Posner, the Cambridge economist, says that increases in public expenditure or tax cuts totalling more than £2.5bn. will be needed in this week's mini-Budget and the spring Budget before any significant reflation or expansion of the economy occurs. Page 7.

● OIL producing countries meeting in Vienna next month will discuss the possible use of special drawing rights rather than dollars for buying oil, a Kuwaiti official said.

● THE BANK of England's minimum lending rate is too low at its present level of 5 per cent., according to stockbrokers W. Greenwell. Page 7

● THE UNION of Independent Companies recommended the establishment of an agency to stabilise interest rates for smaller companies in a memorandum to the Government inquiry set up last month under Mr. Harold Lever, Chancellor of the Duchy of Lancaster. Page 34

French official recommended for IMF post

● M. JACQUES De La Rosière, a senior official in the French Finance Ministry, is emerging as a leading contender to succeed Dr. Johannes Witteveen as managing director of the International Monetary Fund next year.

It is understood France has strongly urged its EEC partners to accept M. De La Rosière. The post has traditionally gone to a European. A number of prominent names, including that of Mr. Denis Healey, Britain's Chancellor, have been mentioned. Page 3

● CONSUMER confidence has increased markedly, according to the British Market Research Bureau's survey of financial expectations, which shows people are more optimistic than at any time since the beginning of 1970. Page 38

● INSURANCE groups have hit back at the Labour Party's policy on nationalisation and investment. They say it fails to appreciate their responsibilities to savers and ignores their contributions to the economy. Page 9

● HITACHI, the Japanese electronics group planning a colour television factory at Washington, near Newcastle upon Tyne, has criticised what it sees as the double standards of those trying to keep it out of the U.K. it says many British TV makers use foreign components. Back Page

● NATIONAL Savings had a net inflow of £92.1m. in the four weeks to September 24, compared with £41.2m. in the same period last year and £121.6m. in August. Page 7

● MR. JOHN SILKIN, Minister of Agriculture, rejected the EEC Commission's plans for a revised Common Fisheries Policy in a speech at the week-end. But he said that he could not promise the immediate improvements for the fishing industry. Back Page

● MINERS will receive details to-day of the productivity scheme which has exposed bitter political divisions in their union. They are due to vote on the issue this week. Page 12

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Cabinet will take final decision on tax cuts to-day

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

The Cabinet to-day will take the final decisions on the package of income tax cuts and additional public expenditure costing more than £1bn. in a full financial year, which are to be announced in the Commons on Wednesday.

Approval still has to be given to the proposals to raise income tax allowances and to Treasury plans for public spending over the next five years, as reported on Saturday.

Mr. Denis Healey, the Chancellor, will present the measures essentially as corrective action for 1977-78 needed to bring the economy back on to the course set out in the March Budget rather than as a major change of direction.

He is expected to say that decisions on any significant expansion affecting 1978-79 will have to wait until spring, when the pay and inflation prospects should be clearer.

The International Monetary Fund borrowing and monetary ceilings for the year may also have to be revised after the visit by a Fund team to London next month.

From the point of view of the markets and the City, the main interest will be focused on any remarks or action by Mr. Healey in the area of the exchange rate or controls.

The Treasury has recently been undertaking a review of exchange controls and there is an increasing expectation that a fairly minor relaxation of the rules may be announced on Wednesday.

No major change in controls on direct or portfolio investment overseas is likely in the immediate future. Any relaxation could affect personal travel and gifts, while the City is hoping for concessions on the 25 per cent. surrender rule on the sale of foreign shares.

Any change in controls would be in response to the continuing heavy inflows of foreign currency into the U.K.—probably as much as $2bn. this month on top of an underlying rise of $1.8bn. in September, with further sizable amounts due to come in later as a result of operations in the forward market.

Fears

Concern has been increasing within Whitehall in recent weeks about the impact of these inflows on the Government's monetary targets, as has already been reflected in an acceleration in the rate of growth of the money supply.

Fears exist that the figures for the banking month to mid-October will push the growth of sterling M3 above the upper end of the 9-13 per cent. target range for 1977-78.

Any changes in exchange controls are unlikely to be sufficient in themselves to offset inflows on the recent scale, though they may be presented as an indication of a willingness to ease controls step-by-step over time.

A continuation of these large inflows is, however, likely to reopen the debate about the present policy of maintaining a stable exchange rate.

Up till now, the view of senior Treasury officials and Bank of England economists has been that a significant appreciation of the pound should be resisted because of its impact on the long-term competitive position of exports.

This case was stated by Mr. Healey at the IMF annual meeting and is believed to be backed by those Ministers most concerned with exports and manufacturing.

However, Mr. Roy Hattersley, Prices Secretary, has been a consistent advocate of appreciation and is understood to have won support from other Ministers most directly involved with pay and inflation.

Mr. Healey will have the chance to discuss the background to his mini-Budget with the TUC Economic Committee to-day. Apart from higher tax allowances, the measures are expected to include additional expenditure.

Continued on Back Page

Ford car workers settle for 12% pay rise

By David Churchill, Labour Staff

FORD CAR workers at Liverpool and Swansea yesterday joined the rest of the company's 23 car plants and voted overwhelmingly in favour of a 12 per cent. pay settlement plus improved fringe benefits.

The vote in favour, decided at meetings covering 12,000 body and assembly workers at Halewood, Liverpool, and 2,100 at Swansea, came in spite of a shop stewards' recommendation that the workers should hold out for the original 15 per cent. claim.

Although the 12 per cent. settlement is clearly outside the Government's 10 per cent. guideline for increases in national earnings, the total acceptance of the deal by Ford workers was clearly welcomed in Government circles last night.

It was felt that only a minor breach of the guidelines was not a signal for the start of a wages explosion and that a possible confrontation with an important group of workers had been avoided.

The Prime Minister said at the week-end that he "was impressed by the backing which good sense has received, not just from our trade union leaders or even their shop stewards, but from rank-and-file workers on the shop floor at Ford's, Leyland, and elsewhere."

Nevertheless, the extra amount in the deal from certain fringe benefits, including better pensions and holiday entitlements, still has to be fully assessed.

Hopes rise

Hopes of further good news for the Government on the pay front to-day were raised last night when both unions and management at British Oxygen agreed to meet at the Advisory, Conciliation and Arbitration Service's London headquarters this afternoon.

They will hold informal talks on an end to the strike by 3,000 BOC workers which has caused almost 17,500 lay-offs in other industries.

The BOC workers are striking in support of a 30 per cent wage claim, but to-day talks are aimed at getting a resumption of work while talks on a possible productivity-linked deal are held.

More than 20,000 Vauxhall workers at Luton, Dunstable and Ellesmere Port are to vote to-day and to-morrow on the company's offer of a 10 per cent. pay deal plus a productivity agreement.

Continued on Back Page

U.S. 'will not veto ban on S. Africa'

BY QUENTIN PEEL JOHANNESBURG, Oct. 23.

MR. ANDREW YOUNG
'Debate unnecessary'

THE U.S. will not use its veto in the United Nations Security Council this week to block proposals for action against South Africa, said Mr. Andrew Young, U.S. Ambassador to the UN, in an interview published in Johannesburg to-day.

Mr. Young predicted that Britain and France would abstain in any vote about a mandatory arms embargo and a ban on all future investment in the wake of the South African Government's mass banning of Black newspapers and organisations, and detentions of some 50 urban black politicians.

He said in an interview with the Afrikaans Sunday newspaper Rapport that the whole debate in the Security Council was "so unnecessary" in the light of the good progress being made by the Western Powers to achieve a settlement in Rhodesia and Namibia (South-West Africa).

Just when he was attempting to persuade the African States to be reasonable, the South African Government was being particularly unreasonable.

Boycott

The newspaper quoted Mr. Young as saying that if the U.S. used its veto, it would undermine the whole of America's African policy.

"Our credibility is in question," he said. He expected a three-day debate in the Security Council and strong pressure from Third World countries for a mandatory arms embargo, a ban on all new investment in South Africa, and even a general trade boycott.

Mr John Vorster, the South African Prime Minister, reiterated in an interview with the U.S. television network ABC that the U.S. was putting pressure on South Africa.

President Carter had been quoted to-day as saying he planned to use all the pressure he could.

Referring to his talks in Vienna earlier this year with Vice-President Walter Mondale of the U.S., and Mr. Mondale's statement that full participation by the blacks in South Africa meant one man, one vote, Mr. Vorster said: "It was said to us in no uncertain terms that if we did not reach that situation, then sanctions will be forthcoming."

The South African Government had evidence of U.S. corporations coming under pressure from the Carter Administration, among other things to pay above a certain minimum wage. "We have had actual cases where people have told us straight out that they were under terrific pressure."

In South Africa, protests continue at the mass bannings and arrests of last week, with 30 newspaper editors subscribing to a statement expressing "profound condemnation" of the arrest of Mr. Percy Qoboza, editor of the black newspaper The World, and the banning of Mr. Donald Woods, editor of the East London Daily Dispatch.

The statement said that the editors had "no intention of altering our way of conducting newspapers" in the face of steps which were "direct threats to the Press and to the cause of free expression."

The list of newspaper editors does not include those of any Afrikaans-language publications, which have broadly supported the Government action, although some have said that the Government must yet give "compelling reasons" on why it was necessary.

The editorial in to-day's Rapport declares that only the most uncritical South African would have no misgivings about the action but it concludes that it must accept the action of Mr. Jimmy Kruger, the Minister of Justice, as being in the best interests of the country.

Mr. Kruger said last night that the bans were "permanent," though some newspapers might reopen if unrest quietened.

It was reported this week that Mr. Qoboza had been served with an order by the security police extending his detention under the Internal Security Act until August 10 next year and that the other leading black politicians had been served with similar orders.

● West Germany followed the U.S. and Holland in recalling her Ambassador to South Africa, Herr Joachim Fick, "for consultations." Herr Genscher, the Foreign Minister, spoke of Bonn's "utmost concern" at Mr. Vorster's action and said trade relations could be affected.

Moscow shipping talks end in failure

By Ian Hargreaves, Shipping Correspondent

MR. STANLEY CLINTON-DAVIS, Parliamentary Under-Secretary for Trade, returned empty-handed at the week-end from three days of talks in Moscow about world shipping.

He said last night that the talks were "disappointing," though there was a "full exposition" of the British view that Russia should take steps at least to contain the growth of her market share on a number of important shipping routes.

The visit followed one to London earlier this year by Mr. Timofei Guzhenko, Soviet Minister of Merchant Marine. Those talks were encouraging. Britain asked for a second session to discuss specific problems on certain routes, in the hope that concrete reductions of the Soviet presence might be agreed.

Of particular concern are the Europe-to-East Africa trades, where in the past three years the Russians have snapped up about 20 per cent. of the business, and combined with the shipping lines of Poland and East Germany to give Eastern bloc countries 40 per cent. of the trade.

Protection

The West Germans are particularly worried about these trends. Mr. Clinton Davis was preceded in Moscow by Herr Kurt Gscheidle, the Bonn Minister of Transport. Both Ministers will attend this week's Council of EEC Transport Ministers in Luxembourg to discuss the Community's next steps on the Russian shipping threat.

There will be little surprise from West European shipping lines at this latest failure to make progress. Many believe that the only way the Soviet presence can be curtailed is by concerted action of Governments involving some sort of protectionist legislation.

The Russians say they already compete on a fully commercial basis, depreciating assets in the normal Western fashion. Western shipping companies reject such claims on the grounds that the Soviet lines do not have to meet commercial rates for their ships or their crews.

Undercutting on the East African trades has been by as much as 30 per cent. on freight charges of lines within the conference system.

Another subject at Moscow was bilateral Anglo-Russian shipping trade, running about 80—20 in Russia's favour. It was agreed to await the effects of a new container service between the two countries.

Mr. Guzhenko also indicated that the Russians were prepared to support a British suggestion made through the Inter-Governmental Maritime Consultative Organisation that a marine safety corps be established.

TUC to press claim for big say on economy

BY CHRISTIAN TYLER, LABOUR EDITOR

THE TUC, having passed responsibility for pay bargaining back to individual unions, will be reasserting its claim over the coming weeks for a big say in economic and industrial policies.

The process will start to-day when TUC leaders meet Ministers in the TUC-Labour Party liaison committee to discuss how North Sea oil can be used to revitalise manufacturing industry.

The TUC wants to see manufacturing investment doubled by 1985 and the creation of another 1m. jobs, although most of these might have to be in the public services.

A paper discussing ways of using North Sea revenue is being prepared by Mr. Anthony Wedgwood Benn, Energy Secretary, and Mr. Denis Healey, the Chancellor. It will probably surface at subsequent meetings of the committee.

This evening the TUC economic committee will be tackling the Chancellor about his list of demands for Wednesday's mini-Budget and the main Budget in the spring.

Overall it wants a £3.5bn. reflationary boost, but is looking for items such as a £15 Christmas bonus for pensioners, a £1 increase in the child benefit, and the pegging of school meal charges to be included in this week's measures.

Help for the construction industry and the raising of tax allowances already appear to be in prospect.

For the spring, the TUC's main demand is for a reduced income-tax rate of 25 per cent or less on the first slice of income, below the 34 per cent. standard rate.

On the industrial front, a new impetus is sought on trade union involvement—especially at factory and company level—in curbing imports, boosting exports, increasing domestic investment and providing jobs.

This could result in a fresh attack at national level on what the TUC sees as the reluctance of the Department of Industry to promote planning agreements with the top 100 companies (the only one so far signed is with Chrysler) or to use provisions of the Industry Act, 1975, on disclosure of strategic company information.

Next Monday about 300 trade unionists, half of them from the Little Neddys and sector working parties set up under the Government's two-year-old industrial strategy, will be discussing how to get some response from companies. This conference at TUC headquarters is the first of its kind since 1970.

The debate is inevitably bound up with the question of industrial democracy and the extension of collective bargaining, at least below Board level, which the TUC is pursuing separately ahead of a White Paper expected next month or shortly after.

The demands thrown up by this conference will be considered by the economic committee and may be taken up with Mr. Eric Varley, Industry Secretary, and Mr. Edmund Dell, Trade Secretary.

The TUC recognises that possibly fewer than half of the 1m. jobs it seeks can be provided by manufacturing industry. It will have to persuade Ministers, therefore, to allow what extra wealth is created by industry to spill over into the public services.

Comecon bank seeks big loan in West

BY FRANCIS GHILÈS

COMECON'S International Investment Bank is raising a further $300m.-$600m. loan on the international markets.

The proceeds are designed to help finance the last stage of the Orenburg pipeline bringing gas from the Urals to Eastern Europe.

Competition between various bank syndicates for the business is intense, and two features are of special interest. The first is the spread over the London interbank rate (libor) and the second is the law under which the agreement will be drafted.

Last time the International Investment Bank came to the market for money was in June, when it raised $500m. for six and a half years at a split spread over Libor of 1½-1¾ per cent. At least one East European borrower has since succeeded in obtaining funds at only 1 per cent. over Libor (East Germany's Aussenhandelsbank), so observers would not be surprised if the International Investment Bank does as well.

Although the fall in spreads witnessed of late is showing signs of slowing down, the Comecon bank must rank as a first-class credit and thus expect to get good terms.

The legal side of this story is possibly more interesting. Earlier this year, a loan for the other Comecon bank—the International Bank for Economic Co-operation—foundered because the borrower refused to comply with the requirements under English law insisted on by the Western banks it was negotiating with (led by Bank of America).

One result of this legal tangle was that the $500m. for International Investment Bank in June was syndicated under German law.

LOMBARD

Union-bashing is irrelevant

BY GEOFFREY OWEN

FOR MORE than 20 years people have looked for a single, all-encompassing explanation of Britain's poor industrial performance. The public school system, the low status of engineers, the lack of a Harvard Business School—the list is almost endless. One of the vogue words at present is overmanning, which has the special attraction of apparently shifting the blame from management on to the trade unions. Even those who accept that overmanning is basically due to past management errors tend to argue that the biggest obstacle to efficient labour utilisation to-day is trade union bloody-mindedness.

Misleading

As so often before, a half-truth is being given a quite disproportionate importance. Certainly the British motor industry, to take one example, is overmanned compared to its German or Japanese rivals, but it is grossly misleading to suggest that overmanning—or even bad labour relations—is the cause of our declining share of world car exports.

The difference between an enterprise which is internationally competitive and one which is not is not simply a matter of labour utilisation. The process by which a firm reaches and maintains a position of world leadership in its field is a complex one; it is not at all easy to identify the various elements which account for its superior performance or to assess their relative importance.

Even if one looks at manufacturing efficiency alone, "overmanning" is not a very helpful phrase for describing the sources of poor performance which exist in many companies. In most parts of the engineering industry, according to a recent study, increases in effectiveness of some 25-30 per cent. could be achieved if action were taken to eliminate some elementary weaknesses. These weaknesses have very little to do with restrictive practices by trade unions, but concern such matters as production planning and control, inadequate industrial engineering, poorly designed payment systems and product designs which "pay scant attention to the problems of making the item."

In any case, manufacturing is only part of the picture. Innovation in product design is just as important, whether this is achieved through a radical breakthrough (which is rare) or, more commonly, through a steady process of incremental improvement. A recent study of textile machinery—where, as it happens, several British companies are world leaders—drew attention to more than 20 factors which can influence success or failure. As the author says, "success or failure can rarely be explained in terms of one or two factors alone, but normally involves a combination of management, technological and market factors."

These two examples are taken from a useful collection of papers* just published by the Department of Industry, whose staff, much to their credit, are trying hard to shed new light on the sources of industrial efficiency —, even if the conclusions of some of the research give little support for the present Government's industrial policies.

If there is a common thread which links the most successful companies — and even this, of course, is a big over-simplification —it has to do with the attitudes, qualities and skills of the company's top management. On the production side, for instance, according to the engineering study referred to earlier, the most important single influence on manufacturing efficiency is "the attitude of senior managers to the need for change; in the main they do not understand nor want to understand the problems of production."

Similarly in textile machinery the author suggests that "most of the factors associated with success or failure are amenable to deliberate manipulation by technically progressive management. The natural conclusion is that the responsibility for the future prosperity of textile machinery companies rests firmly in the hands of the companies' own managements."

Mysterious

Perhaps there is nothing very startling about that conclusion, but at least it focuses attention on the real problems—how and why the managers of successful firms achieve their success. The "why" is the mysterious part. Why is it that, faced with similar market conditions, some British machine tool makers have allowed their technical lead to fade away while others have stayed on top?

Clearly the environment in which firms operate should be such as to encourage managements to search constantly for new and better ways of doing things. In some cases trade unions make that search more difficult and less rewarding than it ought to be. But trade unions cannot do management's job and they should not be blamed for management's failings.

* Industrial Efficiency and the Role of Government. HMSO £4.25.

THE WEEK IN THE COURTS

Judges and Unions

BY JUSTINIAN

One of the reasons advanced for the uneasy relationship between the courts and the trade unions is that judges display too little understanding of the nature and inner workings of trade unionism. In so far as they appreciate the power structure of unions as reflected in their written constitutions, the judges lean perceptibly towards conferring ultimate power on the membership of a union rather than on the elected governing bodies. Evidence of this approach was provided by the *Kent Miners' case** which scampered last week through two courts.

The Kent area branch of the National Union of Mineworkers was seeking from the courts an injunction restraining the National Executive Committee of the National Union of Miners from holding a secret ballot of all the union's members to test opinion about a proposed national productivity scheme with the National Coal Board. Such a referendum seemed innocuous enough, but the Kent Miners are bitterly opposed to the productivity scheme. By reason of certain union rules and resolutions passed at the union's annual conference in July it was asserted by the Kent Miners that the NEC should not take any steps with a view to negotiating or agreeing an incentive scheme with the National Coal Board without the prior authority of a special conference or of the next annual conference, and that without such authority it was wrong to hold a secret ballot of members.

Power

The issue for the courts was simply: did the NEC under the union's constitution have the legal power to hold a secret ballot of its members to test opinion whether the productivity scheme with the National Coal Board should go ahead? This led the courts—Sir Robert Megarry, the Vice-Chancellor, and the Court of Appeal presided over by the Master of the Rolls, Lord Denning—to review the constitution of the union as gleaned from the union rule book. The essential question was to determine where power resided within the union. Union Rule 8 provided that the NEC should not at any time act contrary to, or in defiance of any resolution of conference. Thus, primarily policy decisions are made at conference, and executed by the NEC.

The argument of the Kent miners was that the holding of the secret ballot would be contrary to and in defiance of conference. This was reinforced by the fact that there was no express power in the NEC to hold ballots. Lord Justice Geoffrey Lane in the Court of Appeal said that, since in the periods between conference the NEC had to administer the union's business and affairs, the distinction between administration and policy was not a real distinction. But is that right? Since the NEC could call a special conference at any time and at short notice (and presumably would do so if a policy decision could not be delayed until the next annual conference) did that not indicate that the policy of the union never devolved upon the NEC? That body has a powerful influence on the union's policy, but it has no constitutional power to determine policy.

Both courts acknowledged that there was no express power in the NEC to conduct a ballot of members, but went on to hold that there was an implied power to conduct a referendum, on the ground that the NEC was, during the interregnum between annual conferences, permitted to dictate union policy. The judges thus wrote into the union's rule book their version of the power structure of the National Union of Mineworkers.

But the judges persuaded themselves that they were right not to restrain the holding of the ballot by invoking the precepts of democracy. Thus Sir Robert Megarry said that the court ought to be fully convinced that it was right to grant an injunction before doing so; if there was any doubt "democracy ought to be given the benefit of it." And Lord Denning in the Court of Appeal said that the ballot was a sensible and reasonable proposal by the NEC to take the views by the democratic method of a secret ballot of all the workers affected: "It was a far more satisfactory and democratic method than leaving it to the delegates of a conference who might not be truly representative—in—their—individual capacities of views of the various men they represented."

This approach discloses the judicial view that referenda are an instrument of democracy, whereas votes on specific issues, as opposed to voting in the election of representatives to governmental institutions, are in fact an aspect of populism. Thus the judiciary is in effect dictating to trade unions government by union members, and not by the democratic institutions those members have determined for themselves as reflected in their written constitution. It is a judicial interpretation of the oft-repeated cry that the militant minority are overriding the wishes of the silent majority; and that this unsatisfactory state of affairs can only be remedied by giving a legal say to the rank and file member whenever the opportunity arises.

Populist

Since in our democratic system of government only Parliament can authorise a referendum, any trade unionist who read the courts' decisions in the *Kent Miners case* may feel that, while the parliamentary analogy is not entirely apt, the judges abandoned the constitutional approach to trade union affairs in favour of a populist one. How trade unions' affairs are managed on their members' behalf may not be entirely to the liking of the public. But accountability is through the constitutional institutions, and not by intermittent consultation of the members on specific aspects of that Government's policy.

The courts' approach will do little to dispel the uneasiness felt by trade unionists that judges are adopting double standards. Would it not be more sensible for the judges to apply the same legalism to the affairs of trade unions as it would to the management of a limited liability company? It is always safer in these instances to give effect to the written rules and not to imply rules. For implication involves some analysis of the organisation for whom the implied power is claimed. Judges know more about the limited liability company than they do about the organisation of a trade union.

* National Union of Mineworkers (Kent area) v. Gormley and others, Times Law Report, October 19 and 20, 1977.

Yorkshire experience te

WHEN YORKSHIRE went to Kendal to play Cumbria on Saturday everything seemed right for an entertaining match. The pitch (and what a delightful setting) was firm, the sun positively warm and the many Yorkshire supporters exchanged good humoured banter with the locals.

In the event the match was disastrously riddled with penalties, short on technique and devoid of any pattern. Both sides came to life in the final ten minutes, but it was too late for resuscitation.

Yorkshire won 25-6 with Old kicking five penalties and a conversion and Bennett and Orum scoring tries while Borthwick kicked two penalties for Cumbria.

Of all the counties Yorkshire are keenest to retain the championship as a competition. They maintain that it is a focal point for their clubs. They face greater opposition from Rugby League clubs whereas Cumbria's major disadvantage is its sheer isolation. It was quite clear that hard though their pack tried the worldly experience of Yorkshire was bound to tell.

Yet Cumbria had a fine back row and while Robinson's speed and stamina may be waning he still worked prodigiously as did Dixon. However it was the young No. 8 Moss who impressed most of all with his incredible energy in defence and unstinted work in attack. He could well feature in trials later, [illegible] second row Butler whose only failing was his sheer rawness.

Cumbria hammered and chased, but no team could survive on a policy of kicking in the hope that the opposition would make mistakes [illegible] a strong

RUGBY UNION

BY PETER ROBBINS

pivot at scrum-half but, under great pressure, Peart was unable to get the ball away quickly enough. Borthwick kicked well, but frequently neither he nor his colleagues showed any understanding of the need for counter attack. They certainly knew about defence where Robinson in the centre was most forthright and Pickering the full-back dependable.

Yorkshire were faced with the dilemma of pre-ordained domination. As often happens things went badly and I have never seen such a disorganised Yorkshire team. Not that they played poorly individually, but there was little coherent rug[by] [illegible] when Cumbr[ia] [illegible]

The pack had a solid [illegible] success, although Hirsch puzzled by the incessant [illegible] of the referee that he [illegible] England under-23 prop, to raise the tempo of [illegible] and as well as doing [illegible] work [illegible] in loose play. When [illegible] shire pack finally got [illegible] thanks to Dawson's [illegible] positioning, and even [illegible] that of Higgins, then [illegible] came rather more into the [illegible]

Yet Yorkshire were [illegible] enterprising behind, so [illegible] Cumbria kicking so [illegible] bring the ball upfield [illegible] tunately Caplan, so co[illegible] adventurous last year [illegible] safe and returned the [illegible] Yorkshire pack [illegible] deadly fortunate to [illegible] steadying influence of [illegible] Old at half-back. Old kick[illegible] first thought rather than [illegible] When he passed it was [illegible] the unfortunate Maw[illegible] could not find his partner [illegible] and so got only wa[illegible] shire forward effort [illegible] wasted; but so, too, [illegible] latent talents of [illegible] Thompson and Benne[tt]

Nottingham Forest here to st

WITHOUT EVER quite showing why they are leading the First Division, except for occasional flashes in the second half, Nottingham Forest easily disposed of Queen's Park Rangers, who already have a relegation look, by 2 goals to nil at Loftus Road.

Although newly promoted Forest did not suggest they were potential league champions on Saturday, they showed that they clearly possess sufficient ability and determination to remain with the elite for many years.

Clubs coming up from the Second Division fall into two main categories. First, there are those who were a shade unfortunate to be relegated, were always basically First Division material and quickly bounce back—like Wolves last season—and presumably Spurs this.

Secondly, there are those who have been absent for a long period, such as Forest, or have never been there, like Bristol City, whose prime objective must be to establish themselves in the premier league.

The Forest team which clawed its way out of the Second Division had several limitations which nobody appreciated more than Brian Clough, who directed the whole operation so successfully. As a result he acquired Shilton, whose exceptional agility in goal must be worth a number of points to any side, the bite of Burns in the middle of the backline, and the skill and industry of Gemmill in midfield, which has added a new dimension to his attack.

The Notts promotion side was not as good as the Derby XI,

SOCCER

BY TREVOR BAILEY

which Clough steered into the First Division, but their present team is very reminiscent of Derby in their first season in First Division football. There is the same basically simple style, the same speed when switching from defence to attack and the same 100 per cent effort from everybody.

It will be remembered that Derby quickly developed into an outstanding combination and it would come as no surprise if Forest did likewise. It is doubtful, though, that they have yet the poise needed to capture the championship this seaso[n].

The first half was scr[illegible] both senses, and Anders[illegible] most skilful member [illegible] visitors' rearguard, wh[illegible] always prepared to [illegible] foul in moments of dang[er] [illegible] booked for bringing [illegible] Givens with what appe[illegible] be no more than a clums[illegible]

After the interval, Bow[illegible] inspired buy for £40,000, [illegible] from close in after Rob[illegible] had repeatedly [illegible] Clement inside out, had [illegible] along the ground.

A perfectly flighted fr[illegible] from just outside the ar[illegible] Burns made it two—all [illegible] Parkes was forced to [illegible] several fine saves. Forest [illegible] superior in all department[s] [illegible] nowhere was it more app[illegible] than in midfield.

QPR lacked cohesion [illegible] heart. They would do w[ell] [illegible] remember the words that [illegible] wrote in his recent biog[raphy] [illegible] "Stars don't win games [illegible] do. Football is the ultim[ate] team sport and no indi[vidual] can win a game by himsel[f] [illegible] made his goals, because [illegible] player passed to him a[t the] proper time."

Nottingham have learn[t] [illegible] fundamental truth. QPR [illegible] to have forgotten it.

Lessons of British girls' defea

THE 10—4 DEFEAT inflicted by four Americans on Britain's leading girls under 21 in the Maureen Connolly Trophy at Torquay last week underlines the gulf that nowadays separates players on opposite sides of the Atlantic.

When one considers the clear-cut victory recently of two members of last week's British team, Anne Hobbs and Jo Durie, in the Trophée Perriod, which included the best young teams in Europe, Canada and New Zealand, the task facing the rest of the world is seen in its true perspective.

Furthermore, the Number One American girl in Torquay, Lea Antonoplis, could finish only fifth in the Pepsi Cola Junior International Series which linked all the major under-18 titles for the first time this year.

She lost in the final of the U.S. Open Junior Title to Claudia Casabianca of Argentina, who was third in the Pepsi list, one below Anne Smith, 17, of Dallas.

It adds to Britain's humiliation that neither Miss Smith nor the 14-year-old American prodigy Tracy Austin was present in Torquay.

Europe can take heart from

TENNIS

BY JOHN BARRETT

the fact that the winner of the Pepsi Cola series was the 16-year-old Czech girl, Hana Strachonova.

The Slazenger Tournament which begins in Bournemouth today, has attracted a total entry of 190 players, proving that there is no lack of enthusiasm for competition among the keen county players and juniors who comprise the bulk of the entry.

David Lloyd and his [illegible] British Davis Cup colleague [illegible] Paish are cast, as the [illegible] singles finalists in the [illegible] men's. A draw to [illegible] the two covered courts [illegible] action there is likely to [illegible] into the small hours, as [illegible] at this tournament's [illegible] home, the Palace [illegible] Torquay.

Former Wightman Cup [illegible] Corinne Molesworth and [illegible] Hobbs head the 24[illegible] women's A field, and the [illegible] Wimbledon champion, [illegible] Jones, who expects a baby [illegible] the spring, returns to compete [illegible] in the two doubles events, [illegible] nered in the mixed by [illegible] husband Pip.

Only a centre like the [illegible] Club, with its 12 courts, could possibly cope [illegible] an entry of this size, [illegible] junior, veteran and handicap events will add a festival atmosphere to the last big domestic tournament of the season.

Anxieties under the good chee

CAPE TOWN, Oct. 2

AS THE 170 yachtsmen and women prepare their 15 yachts for the second leg of the Whitbread Round-the-World Race, an air of cheerful dedication prevails in the yacht basin here.

Crews are loading stores, checking rigging and even finding time to take their many new friends for a sail in Table Bay and along the magnificent coastline towards the Cape.

It seems almost unreal, but one does not have to look far to find the carefully-concealed anxieties that most of them feel.

The yachts competing this time are more sophisticated than four years ago, and the crews generally more experienced.

But the out-and-out racing machines may find life less comfortable in the southern latitudes than the more moderately rigged yachts, several of which have been specifically designed for the next two stages of the race, from here to New Zealand, then round Cape Horn to Rio.

The crew of Heath's Condor, now under the command of Robin Knox-Johnston, are quietly pleased that their special carbon-fibre mast has parted company with the yacht and been replaced with a conventional alloy spar.

Most of them never trusted the first mast, few were surprised when it eventually broke, and all have far more faith in the replacement.

Dirk Nauta, skipper of Tielsa, and one of those who has made the voyage before, has total faith in his steel 65-feet ketch, as has the other Dutchman, Cornelius van Rietschoten, whose £300,000 alloy ketch, Flyer, took handicap and line honours on the first leg by a mere two hours from Nick Ratcliffe's King's Legend, a conventional Swan 65.

John Ridgeway, the Atlantic rower and explorer, and his wife Marie-Christine, with a crew from their adventure training school in Caithness, have no aspirations about winning in what they describe as a super-reinforced maritime caravan.

For them, the voyage around

YACHTING

BY ALEC BEILBY

the world aboard their ketch Debenhams is an extension of their Scottish venture—another peak to conquer.

Aboard Clare Francis' Accutrac, the contest is the [illegible] A ninth position on the first [illegible] disappointed Clare and her [illegible] band Jaques Redon, and she [illegible] her crew are going to sail [illegible] next leg to the limits of [illegible] yacht and crew. Her compet[itive] spirit is impressive.

The yachts go to the start line on Tuesday for the [illegible] miles to Auckland.

Elain set to strengthen hold on championship

ELAIN MELLOR, who in addition to having landed eight races this season, has been awarded such notable trophies as a diamond necklace and a mini-car, can put the seal on a memorable campaign at Chepstow to-day.

Here I expect The Lady Jockey

RACING

BY DOMINIC WIGAN

Association's leading rider to land the Mademoiselle Lady's Stakes on the smart Lily Trotter for whom Major Dick Hern secured Elain last week.

A highly promising fourth of 20 behind Nobody's Fool in a six-furlong event here on her only juvenile appearance, Lily Trotter, a bay daughter of that remarkably successful young sire, Blakeney, has confirmed that promise in two outings this autumn.

Sent to Haydock for the 1¼-mile Knutsford Stakes last time out, the West Ilsley filly justified heavy support with a five lengths victory over Bollin Tare, after making all her own running in the hands of Willie Carson.

Although the value of that form is debatable, Lily Trotter could hardly have won more decisively, and I can see no reason why she should not be seen to equal advantage over to-day's additional quarter [illegible]

I take her to strengthen [illegible] Mellor's hold on the Daily M[irror] Lady Riders' Championship [illegible] a clear cut success over [illegible] closest pursuer in the com[petition,] Franca Vittadini, the [illegible] of Bamstar.

Elain has 104 points w[illegible] Franca has 76 points, with [the] rest well strung out.

That accomplished yo[ung] rider Nick Howe, who booste[d his] score when he got Wind [illegible] by half a length from Pow[illegible] ball in Doncaster's penulti[mate] Apprentice Handicap on Fri[day,] has been snapped up by [illegible] Vigors for the lightly weig[hted] Fettered in the Lucknam [illegible] Stakes.

Fettered, a Manacle colt, gained a two lengths War[illegible] success over Movement in [the] spring, ran better than his [illegible] position of sixth behind Ora [illegible] Squash at Bath last time [illegible] might suggest. He could [illegible] provide Howe with ano[ther] success.

Looking ahead to Ascot [illegible] this week, Clark of the Cou[rse] Captain Nicky Beaumont [illegible] cipates good ground for [illegible] course's opening fixture.

CHEPSTOW

1.45—Stout Fellow
2.15—Lily Trotter**
2.45—Room Service
3.15—Deaney's Delight
3.45—Fettered***
4.15—First Charge*

TV Radio

† Indicates programme in black and white.

BBC 1

9.38 a.m. For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Chigley. 2.01 For Schools, Colleges. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School (as BBC-2 11.00 a.m.). 4.20 The Wombles. 4.25 Jackanory. 4.40 Roul's Broadcasting Company (BBC-1). 5.05 John Craven's newsround. 5.10 Blue Peter. 5.40 News. 5.55 Nationwide (London and South East only). 6.20 Nationwide. 6.50 Are You Being Served? 7.20 The Rockford Files. 8.10 Panorama: Pakistan — Power and Politics. 9.00 News. 9.25 The Monday Film: "Bad Man's River," starring James Mason and Gina Lollobrigida. 10.50 Tonight. 11.30 The Sky at Night. 11.50 Weather/Regional News.

All Regions as BBC 1 except at the following times:—

Wales—1.45-2.00 p.m. Pili Pala. 5.55-6.20 Wales Today. 6.50 Heddiw. 7.10-8.10 Royal Heritage. 11.51 News for Wales. 11.52 Snooker: Welsh Professional Championship. 12.15 a.m. Weather for Wales.

Scotland—10.00-10.20 a.m. For Schools (around Scotland). 5.55-6.20 p.m. Reporting Scotland. 10.50-11.30 Public Account. 11.50 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 11.50 News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

10.00 a.m. The Role of the Nurse. 11.00 Play School. 3.20 p.m. WorkTalk. 3.45 The Caterers. 3.50 Signs of Trouble. 4.00 Making Toys. 7.00 News on 2 Headlines with sub-titles. 7.05 Volunteers. 7.30 Newsday. 8.10 Des O'Connor Tonight. 9.00 Drama Two. 9.50 The Long Search. 10.40 Late News on 2. 10.50 Open Door. 11.20 The Light of Experience. 11.35-11.40 Closedown. Gwen Watford reads "The Autumn Wastes," by Tu Fu.

LONDON

9.30 a.m. Schools Programmes. 12.00 Chorlton and the Wheelies. 12.10 p.m. Rainbow. 12.30 The Flintstones. 1.00 News plus FT Index. 1.30 Help! 1.30 Farmhouse Kitchen. 2.00 After Noon. 2.25 Bill Brand. 3.20 Westside Medical. 4.20 Clapperboard. 4.45 Raven. 5.45 News. 6.00 Thames at 6. 6.45 Opportunity Knocks. 7.30 Coronation Street. 8.00 The [illegible]. 8.30 World in Action. 9.00 Van der Valk. 10.00 News. †10.30 Appointment with Fear: "Sanctuary," starring Yves Montand, Lee Remick and Bradford Dillman. 12.10 a.m. Conjugal Visit. 12.25 Close: In "Pray for Peace" week, Michael Burrell reads a prayer.

All IBA Regions as London except at the following times:—

ANGLIA

[illegible]

ATV

[illegible]

BORDER

[illegible]

CHANNEL

[illegible]

GRAMPIAN

[illegible]

GRANADA

[illegible]

HTV

[illegible]

SCOTTISH

[illegible]

SOUTHERN

[illegible]

TYNE TEES

[illegible]

ULSTER

[illegible]

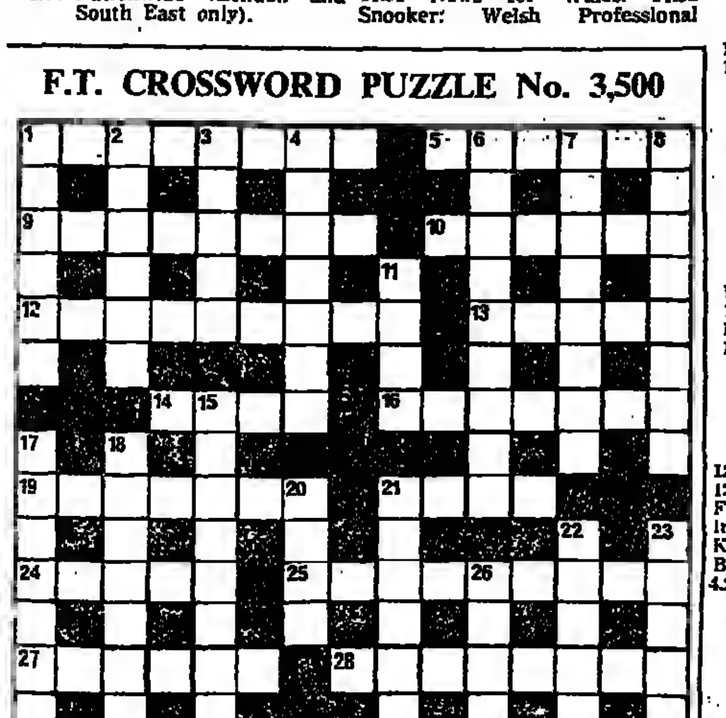
WESTWARD

[illegible]

YORKSHIRE

[illegible]

F.T. CROSSWORD PUZZLE No. 3,500



ACROSS

1 Pays to have garden tools ready for use (5, 3)
5 Cunning as the National Gallery has become (6)
9 Thanks to mother has chance to become evergreen (8)
10 Even Turkish leader has a heavenly body (6)
12 Kind of writing causing revolution with agency (5, 4)
13 More annoyed by part confessor eradicates (5)
14 Office staff came to grief (4)
16 Substance obtained in the main by evaporation (3, 4)
19 It isn't Edward that's spotted (7)
21 Spear fish (4)
24 Take fright at putting young Peter in charge (5)
25 Look at best part of beauty preparation (4, 5)
27 Garment a student finds spotless (6)
28 Tormentor from public school! (8)
29 Time differently what cardinal consumed (6)
30 Don't grow up to depreciate (8)

DOWN

1 Prospects could be tense (6)
2 Steak useless in shindy (6)
3 Game in pub upset by violin (5)
4 Win struggle for limelight far from footlights (7)
6 Retracts car support (5, 4)
7 Very slow burial out east (8)
8 Educated to be inflamed by key assessment (8)
11 Ought divines to be given chances? (4)
15 Wit of sailor in Room at the Top (5, 4)
17 Check concerning break of journey (4, 4)
18 How rugby tourists were feted (8)
20 Daughter going to take off (4)
21 Forwards at Twickenham have time for comprehensive holiday (7)
22 Tip ewe to stagger a bird (6)
23 Appear to go east to join up (6)
26 Dog for company leader or soldier (5)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

RADIO 1 247m

(S) Stereophonic broadcast

[illegible]

RADIO 2 1,500m and VHF

[illegible]

RADIO 3 464m, Stereo & VHF

[illegible]

RADIO 4 434m, 330m, 285m and VHF

[illegible]

BBC Radio London 206m and 94.9 VHF

[illegible]

London Broadcasting 261m and 97.3 VHF

[illegible]

Capital Radio 194m and 95.8 VHF

[illegible]

هكذا من الأصل

Covent Garden

Lynn Seymour

Lynn Seymour and Michael Coleman in 'The Concert' Leonard Burt

On Friday night the first triple bill of the season found Lynn Seymour central to all three ballets: as the leading woman in *Voluntaries*, as the Girl in *The Invitation*, and as what I can only call the blue-bonneted engenderer of *The Concert*. In each the Seymour magic was evident: we were watching our greatest ballerina showing just how great artist can hold the focus of the work she dances, and justify the piece itself. Seymour's gifts can sometimes seem "difficult" within the context of the Royal Ballet because she eschews certain politenesses of manner and style that bedevil so many of our female dancers. Not for her any restraint of physique: the entire personality signals to us that we must look, and though there are "off days" then I suspect that she may really be counting the audience even at half-force Seymour dominates the stage.

This *Monstre-sacré* aspect of her art is contained (though not constrained) by the formal disciplines of the dance. In *Voluntaries*, in which David Wall proved a magnificent partner, Seymour had a brooding intensity of presence, darker than I recall in earlier performances, which achieved an heroic Isadora-like quality of declamation when she was held—arms out-flung to embrace suffering—or curved in upon her grief around Wall's body.

A sudden glorious lift of a leg in arabesque, the developing pulse of lyrical movement, were constants of a noble interpretation that transcended a momentary lack of rapport with the orchestra.

In *The Invitation* Seymour turned time back to November 1960 when she created the role of the Girl. The lengthy passage of the children's games at the start of the piece is now rather hard to take, but once we get to the front-cloth scene between the Girl and her cousin (Wayne Eagling: excellent) and the subsequent dancing lesson, Seymour is absolute in her command of the part. Still untidy, giggly, trusting, intrigued by the Husband, Seymour shows the girl moving with unrivalled grace through the solos, yielding to the Husband, and able to sustain a grin—facing full into the audience—with the technical daring that is the prerogative of the finest actresses. The delicacy with which some of the dances are stated—youthful freshness of impulse; tiny flickers of energy in a small step—were Seymour's 17 years ago and are hers still. And the mature artist can extract every moment of tragedy from the rape and the final rejection of life: the fierce, single, long post with which she greets the Cousin away at the end is quite extraordinary.

Apparently much refreshed by these two arduous roles, Seymour then returned to rampage through *The Concert*, with Georgina Parkinson and Michael Coleman in hot pursuit. The grandest moments came when Seymour found herself the bemused possessor of an extra hand. The quick flash of dismay to one wing, and the subsequent insouciant disposal of the article in the bowels of the piano, were transcendental comic playing. I have also to report that the sextet of girls always at odds with each other (Miss Parkinson and Sally Inkin chief and glorious culprits) was better than ever. Other performances in the evening must not go unsaluted: Wayne Eagling was phenomenal in *Voluntaries*, offering a kind of muscular calligraphy made of fast, powerful brush-strokes of energy; Michael Batchelor danced in the same work with marvellous clarity and classic ease, and there was also a young girl soloist, whom I identify as Genesia Rosato, revealing a comparable excellence of style.

CLEMENT CRISP

Pompidou-Beaubourg

by DOMINIC GILL

Eight years ago, Georges Pompidou announced his plan to build a new National Centre for Culture and the Arts in Paris, choosing as his site the Plateau Beaubourg in the fourth arrondissement—an empty plain next to Les Halles, bordering on the lovely 16th-century church of Saint-Merri, which had been used as a parking lot for market lorries since the slum dwellings which once stood there were demolished in 1933.

The scheme was born of Pompidou's "passionate desire for France to possess a cultural centre which will be both a museum and a place of creativeness, where the plastic arts will rub shoulders with music, the cinema, books and audiovisual research." The following year an international competition for the design of the new centre was launched, which attracted no less than 681 entries, two-thirds of them from abroad. Thirty of the projects were considered to be of special merit, and were awarded a prize; but the contract itself finally went to the Anglo-Italian team of Richard Rogers and Renzo Piano, whose previous work had included city redevelopment in Cambridge and a housing project in Genova.

The Rogers-Piano scheme was the most unusual, and in many ways the most revolutionary, of all the entries. It was five years in the building, and now stands virtually complete: an extraordinary fantasy of steel, glass and concrete, hung with a multi-coloured web of pipes and tubes, five storeys high and four deep—a suspended structure, supported entirely from the outside, leaving free an open space on each floor the size of two football pitches, without any vertical structural division, to be divided as the use of each level dictates. Entrance to each floor is also from the outside, from a series of "pavements in the air" connected by an escalator which moves, snake-like, diagonally up the building's main façade, enclosed in a transparent tube.

The Centre Pompidou—or Centre Beaubourg, as it was first christened, and still, popularly known—is planned to serve a number of interrelated purposes. One of them is to re-group cultural centres that are both ill-housed and scattered widely around Paris—the Musée d'art moderne, the Centre nationale d'art contemporain, and the Centre de création industrielle. Beaubourg will eventually rehouse the whole of the Musée d'art moderne's collection of art from 1907 to the present day; and it will also be organising a special section to encourage and exhibit the latest artistic developments in France and abroad, as well as another to promote industrial design (along the lines of our own Design Centre in London). Nearly one-third of the Centre's floor space is given over to smaller sections devoted to theatre, cinema, dance and photography, as well as to lecture-rooms and concert halls, a children's section, a restaurant and a cafeteria. But most space of all is taken up by a new library, equipped with all the latest electronic and visual aids, containing more than a million volumes and an annexe for periodicals and records.

It was the brief of Rogers and Piano to create not only a cultural centre, but also a public area of equal importance for popular activities. Their building takes up only one half of the Plateau Beaubourg; the rest of the space forms a wide piazza, paved in granite sets, sloping gently down from the surrounding street-level to the foot of the Centre: street-theatres and buskers can play here, a circus can set up its tent, there will be a flower-market, children's playground, cafés. Rogers sees this public meeting-space as one of the most important aspects of the Centre—"We'll have essentially a large public forum surrounded by all sorts of facilities—shops, restaurants, books, exhibition areas, documentary centres, a news reading-room, the industrial design centre: a sort of university of the street, continuing inside the building itself at ground level. The Centre is a living urban machine, a public event."

Some Parisian epithets have been less complimentary: from the start, Château Pompou was condemned by some critics as an international prestige operation which ignored the real cultural needs of the nation, a *Pompidouleum*, a *hangar d'art*, a *supermarché culturel*; others, on financial grounds, with more than a few references to Concorde, as a misapplication, or at least a misguided over-centralisation, of badly-needed funds—the Centre cost more than £100m. to build and will now cost upwards of £15m. a year, more than half the arts budget for the whole of the Paris region, to maintain.

But Beaubourg-Pompidou is still in its infancy: even the firmest opponents of the Centre agree that it is too soon yet to pronounce judgment—too soon even to visualise the full potential of the scheme, when every month sees subtle changes, subtle shifts of emphasis. It is already an exhilarating place to be, to visit, alive with activity and purpose—a bold venture, and a bold achievement: the very presence of so many possible paths as yet undecided, and the controversies which surround them, only heightens the sense of excitement.

*

Invisible from the Beaubourg plaza, buried deep in the ground under the *place* in front of Saint-Merri, is another department of the Centre similarly alive with exciting potential. IRCAM—the Institut de Recherche et de Coordination Acoustique-Musique — was founded under the direction of Pierre Boulez with one all-embracing aim: "to create an institute where all the problems of contemporary music which do not lend themselves to individual solution can be dealt with. At IRCAM, scientists and musicians will work together, and present to the public, in the form of all manner of different performances and events, the results of their research."

IRCAM's underground chambers are not yet finished, although the administration is already installed, and many of the studios nearly ready. When the work is complete, the Institute will comprise a well-ordered and brightly-lit maze of offices, rehearsal-rooms and studios, divided into separate but interlinked departments, each directed by a different *responsable*—the electro-acoustic department by Luciano Berio, the instrumental by Vinko Globokar, and the computer rooms by Jean-Claude Risset. Perhaps most impressive of all will be the underground *Salle polyvalente*—a huge concert-hall and research area with motor-powered moveable walls and ceilings, and (eventually) moveable seating, capable of adjustment to almost any size, function and acoustical character.

But even before moving to its underground home, and before, as Boulez proposes, "devoting itself completely, and exclusively, to research," IRCAM has been busy. Since the beginning of the year, from temporary headquarters in the newly-renovated Municipal bath-house on the corner of the rue Saint-Merri, Boulez and his *responsables* have organised and presented the *Passage du XXe siècle*—an ambitious programme of concerts, ateliers and lectures on the theme of 20th-century music, given in nine different venues by seven orchestras (including the BBC Symphony and National Youth Orchestras), 11 choirs and ensembles (prominently featuring Boulez's new ensemble for contemporary music, the Ensemble Intercontemporain), and 17 conductors.

Passage takes in the work of 120 composers, the great majority of them still alive—a remarkable survey from Alsina to Zimmerman, the first of its kind ever to be mounted in Paris, which has played throughout the year to near-capacity audiences. The programmes have followed no rigid scheme: some have focused on the work of a single composer; others have revealed different facets of a single idea; others again have offered a more traditional, more conservative mix of old and new—such as IRCAM's co-production with the Opéra last week, on the stage of the Opéra itself, at which Boulez conducted the first European performance of Elliott Carter's *Symphony of three orchestras*, Messiaen's *Oiseaux exotiques*, and a concert performance of Bartok's *Bluebeard's Castle*.

Andrew Porter reviewed Carter's new *Symphony* on this page after its premiere in New York last February. He found it then the richest in colour and the most romantic of Carter's scores: and though in this performance, from my seat at the front of the opera stalls, two yards away from, and two feet below the level of, the first violins, I could only grasp a small fraction of the detail of the music, and little at all of its antiphonal quality—hearing a tape afterwards of one of the New York performances confirmed the first impressions. It is a rich, powerful score, traditionally cast, shaped and coloured in strong, vivid contours. The piece compresses into 15 minutes a great quantity of movement and detail: but the effect is of lightness rather than compression, buoyancy rather than density—a brilliant kaleidoscope of musical threads "at once constant and changing," cut suddenly by a violent percussion outburst, and a dark, pensive coda. It would make a fine overture to any South Bank concert. But these days the best new orchestral works no longer come first to London, and then rarely to the Festival Hall: we shall have to wait until next year's Prom season to hear it.

Another IRCAM production, an audiovisual spectacle entitled *La Voix des voies*, prepared by Luciano Berio and realised by the audiovisual department of the Centre, was playing thrice daily in the Grande Salle on one of the Centre's basement levels. *La Voix* was conceived as an historical survey of electronic music—at once "e spectacle, a documentary and e concert." As a spectacle it was a brilliant tour de force, a light-show presented on a 20-part split-screen, its 20 slide-projectors controlled by a computer-tape synchronised with the sound-track. As a documentary it was less convincing: a 50-minute pot-pourri of quotations, verbal and musical, which neither offered any clear historical perspective nor itself made out any particular "case" for the genre—an *exaltation de la technologie contemporaine* superbly engineered, but essentially without focus or centre. A preliminary essai: but one which no doubt will provoke some heart-searching questions. How, above all, to find solid ground in grandiloquent slogans that can mean everything or nothing—how to fashion substance from the poetry of Boulez's admirable aim: "Nous voulons constamment (devenue) modèle à l'expérience ... la *transition* de l'oeuvre résolue et aventureuse."

The Entertainment Guide is on Page 4

Susan Porrett, Dave Hill and Joan Geary

Theatre Upstairs

Skoolplay

Alan Brown (born 1951) is a new writer of vile and reckless talent. *Skoolplay*, given three performances over the week-end together with a showing of his 1974 film *Brown Ale With Gertie*, reviewed enthusiastically in these pages by Nigel Andrews, is, in every sense of the word, a nasty piece of work. Gilbert (Dave Hill) is a school janitor with a hip-gun who inhabits a rubbish-filled home also occupied by a secretly lecherous old man who sits in a bath-chair mumbling bits of T. S. Eliot with e dead rat under his straw boater: a hideously filthy father who knits and yells abuse; a foul-mouthed old mother who lusts after her own son and indeed achieves sexual climax as she jumps up and down innocently on a bed next door; and an adoring female neighbour.

The home is visited by Trollope, the headmaster (Peter Sproule), attired in dirty blue denim, who has cast Gilbert in the lead for the school play. Gilbert is to be a star. Another visitor is a young nymphet (Chloe Salaman) who jumps up and down on the bed with Gilbert while he wields a muscle-developing apparatus. Typical of the play's best moments is the exchange between Gilbert and the neighbour, Freda (Susan Porrett):

Freda: Are you a homosexual?
Gilbert (drawing his gun): Get lost.
Freda: I don't mind: it won't make any difference to me.

That, I am afraid, is the best I can do. It all amounts to a take-it-or-leave-it sort of endacious show.

At least the film reveals Mr. Brown to be consistent. A grimy paterfamilias arrives home, pushes the sitting-room door off its hinges and demands his lobster for tea before poking his wife's eye out. A group of schoolboys paint their faces with make-up and rape a young girl. On the streets, they pillage a sweet-shop and beat up a retarded chum at a bus-stop. A later frame shows the victim lying in a pool of blood while three old people stand indifferently behind in an orderly queue. A pool of semen, a pile of rubble, a fantasised blow-job on a tip of wrecked cars. Is this, as has been grandiosely claimed, e film about England today? That element in the film seems to me to be a trendy apology for the disgusting content. At root, the film is as shallow and nauseating as *Skoolplay*.

MICHAEL COVENEY

Festival Hall

Pollini

by DOMINIC GILL

When I last heard Maurizio Pollini play Beethoven sonatas in recital, I was profoundly impressed, and almost as profoundly disappointed. Impressed, as ever, by the physical achievement, the faultless clarity and grip of the playing, the near boundless technique; disappointed by something in the nature of the performances themselves—a certain interpretative inflexibility, even woodenness, a lack of inner poise and presence, and of a sense of inner searching: powerful performances checked, it seemed, at some crucial point by a still more powerful reserve.

Pollini's Beethoven has matured since then. The surface is no less smooth, but the manner is easier, more confident; the very quality of sound is more intimate, more poised. There is still some of the seme sense of reserve—at crucial moments, the same sense of withdrawal from the music, an unwillingness to relax and expand. But his recital yesterday afternoon (the first of two all-Beethoven programmes: he plays the second next Sunday) was an impressive event none the less—for its astonishing precision, and for its vigour, strength and largesse.

He played three sonatas: the little op.90 in E minor, a full and weighty account, wonderfully deliberate in its first-movement ritardandi and pauses, sweet and free-flowing in the finale; and the A major op.101—e splendid performance that grew steadily in stature, rising with tremendous force to the final fugue. The climax of his programme was the Hammer-klavier sonata: and this too, like op.101, gathered impetus as It went. The first movement I found exciting, but oddly unaffecting: a perfr mance of uncommon energy and accuracy which drew from the music little sense of titanic struggle, titanic reconciliation (from the start, Pollini avoided confrontation, taking the opening two-octave leap with both hands instead of one—the safe alternative, always, in the concert hall, e dramatic error).

Pollini's scherzo, a glossy confection which tripped along very fast to its end, always slightly overpedalled, seemed unexpectedly weak, the surprise of the afternoon. But his slow movement and finale were sublime compensation, if not vindication, for what had gone before: a true *adagio sostenuto* perfectly sustained, agonizingly beautiful; and the fugue, a miracle of poetical discipline, fiery energy and glittering control.

Next Sunday at the Fesival Hall he plays the last three Beethoven sonatas, op.109, 110 and 111.

Wigmore Hall

New Budapest Quartet

The New Budapest String Quartet, which made its London debut on Saturday night, is not a scion of the old Budapest Quartet; it consists of four young Hungarians who graduated from the Franz Liszt Academy in 1971 and then worked with the (old) Hungarian Quartet in America. (They are not to be confused with the New Hungarian Quartet, either, which is at most three-quarters Hungarian.) With engaging modesty, they invited the excellent Alberni Quartet—English, of course—to join them in the second half of their programme for the evergreen Mendelssohn Octet. Led by the Alberni's first violin, the playing was well-balanced, lively and stylish.

On their own, the New Budapest team were no less impressive. In the G major Quartet from Beethoven's op. 18 set—one of the least aggressive of the six—they gave priority to delicacy and polish, with an Adagio cantabile so tidy and unlingering that its internal Allegro seemed part of the same fabric. They played the Scherzo and the monothematic Allegro molto fleetly, almost weightlessly, though they made much of the whispered chromatic sighs in the latter, like a conspiratorial colloquy before rushing on again.

The Sixth Quartet of Bartok began strikingly with the plangent tone of Tivadar Popa's viola, but the angry melancholy of the work was left to speak for itself. What emerged most clearly was the curious formal shape of the work: it was most carefully articulated here, with the introductory Mesto developing inevitably, movement by movement, to become the Finale. In the middle movements there was little of the usual rhythmic ferocity, though the microtonal snarl of the Burletta was exact and alarming. On balance, it sounded a performance which will mature very well, just as one expects of the quartet themselves.

DAVID MURRAY

Paris Theatre—1

From Madame de Sade to S.A.D.E.

Like Caesar's Gaul, Paris theatre is divided into three parts. There is the financially ailing boulevard, unlikely in any way, except for the view of an exceptional actress or actor, to interest the passing tourist or endemic executive, for its jokes are so typically French, its situations based on social responses as remote from our own as the Antipodes. There is no unusual talent at present, like a Feydeau or a Labiche, to transform boulevard comedy into something that crosses national boundaries.

Then there is the *théâtre érotiquez*, which needs no recommendation, and is indeed unlikely to find any, except that, it may be said, it is on the whole—if judgment can be passed at all—more stylish and *chic* than in London. Thirdly, there are the subsidised theatres and off-beat performances to which I largely direct my attention, the first being the new bastion that Jean-Louis Barrault and Madeleine Renaud have built up in the now defunct Gare d'Orsay.

In the smaller auditorium of the Théâtre d'Orsay there is *Madame de Sade*, by Yukio Mishima, the celebrated Japanese novelist who committed hara-kari in 1970, and because of this and Mishima's reputation, I expected it to vibrate with blood and violence. But the interest of Mishima's piece is its almost perverse purity, its classical avoidance of action and sensational incident, and a corresponding gain in dramatic concentration.

Mishima's idea is far from religious: the morality he shows is one of naked will-power, for Madame de Sade sets out quite starkly to match, in her fidelity, the excesses of the famous Marquis. She, together with her mother and friends (all the cast are women) debate de Sade's obsessional need for degeneracy, and her conclusion, after making a spirited and moving defence, is to leave de Sade and enter a convent. When de Sade arrives at the door, let out of prison on his mother-in-law's petition, and returned from a debauched fling with his wife's sister—just to show he's lost none of his old touch—she has the door shut in his face. No glimpse of the Marquis is permitted, but even so his presence throughout is a powerful one.

The intense juggling with straight-laced reactions to unbridled lechery—Mishima, like Genet and other apostles of licence, would hardly permit the desanctification of lust—has many moments of taut and uncanny brilliance. Madame de Montreuil (Françoise Christophe) turns the tables on her daughter by her accusation that she, the pure wife, had indeed taken part in an orgy and been strung naked from a farmhouse ceiling for the performance of unspeakable practises. The gaunt close-cropped head of Danièle Lebrun conveys the complete fidelity of a wife submitted to such cruelty, with finely modulated tenderness.

The production, too, by Jean-Pierre Granval, has a statuesque beauty, a finely phased flow of rhythm and emotion. It is definitely not to be missed. Neither, for that matter, is Barrault's own, and moving, production of *Harold et Maude*, playing in the larger auditorium downstairs and reviewed on this page some four years ago. This offers, in Madeleine Renaud's great performance, a most perfect study of touching simplicity and human gracefulness.

From the *rive gauche* to the *rive droite*, where the Paris Autumn Festival is under way: the organisers of this have committed a profanity of which de Sade would have been incapable, by assigning the Salle Favart (the ex Opéra-Comique) to the cheap and vulgar antics of Carmelo Bene's company from Italy for their production of *S.A.D.E.* (by Carmelo Bene). That this inimitable interior, a decorative masterpiece of its kind, should be debased in such a way is a crying scandal. Almost daily Paris would seem to grow more irreverent, even hostile, towards its own cultural glories. As for Sg. Bene, of whose *Romeo and Juliette*, also playing in the Festival, I had heard glowing reports, it is only too clear what he is trying to say, which is the same as almost every other fringe or subsidised group in France, England, Germany, or Italy, is saying: that commercial exploitation, and sex-exploitation, is bed news.

And has he hit upon some new way of expressing the general anguish? Not at all. His own reaction is just as contaminating: of a brassy, low-grade nudity—one may make a plea for palatable flesh to contemplate if nothing else, given time is to be filled so unimaginatively—and a dismayed *bonhomme* wandering around trying to attain orgasm.

The odyssey is split up with a few mock operatic numbers, somewhat measly permutations of plagiarised melodies, though at least delivered with gusto, to an accompaniment from a white-coated, dilapidated, military band. One shudders, remembering that this was this house that launched *Carmen*, *Manon*, *Mignon*, *Fra Diavolo*, *Pelléas et Mélisande*, *Le Jongleur de Notre-Dame* (in Paris), *Louise*, *Cendrillon*, to name but a few.

GARRY O'CONNOR

WORLD TRADE NEWS

Caracas Metro takes a new turn

BY JOSEPH MANN IN CARACAS

THE Venezuelan Government is now said to be preparing specifications for construction of a new 15km. stretch of the Caracas Metro to cost around $350m. and will probably seek bids for civil work late this year or early in 1978.

The C. A. Metro de Caracas, a Government agency responsible for developing a mass transit system in this South American capital, is currently building a 20Km trunk line through the city. A decision is expected soon from the Government agency on bids for some $300m. in rolling stock for the trunk line of the underground railway, where a good deal of construction work is already under way.

Last month, though, the Government surprised most observers by anouncing that it would move ahead "as soon as possible" with a new, 15 Km. section which will link Caricuao in western Caracas with the main east-west Metro line." The metro company is understood to be pushing ahead with the new project at top speed since high-level Government officials have shown keen interest in the line.

In the meantime, though, a group of foreign companies is waiting anxiously for a Government decision on the purchase of 400 rapid transit cars, 4,500 tonnes of steel rail and other equipment valued at around $300m. which will be used on the 20 Km. Pro Patria-Petare line now being carved out beneath Caracas' crowded streets.

Seven international consortia offered bids last March on the rolling stock ranging from $229m. (Societe Generale de Techniques et d'Studes of France) to $606.8m. (GEC-Metro Cammel of Britain). The French and C. Itoh, a Japanese group which bid $242.8m., are seen as the obvious favourites and rumours have been circulating with increasing frequency in recent weeks.

Adding to speculation on chances for the French and Japanese were visits made to Venezuela, not long ago by Government trade officials from Paris and Tokyo, who more than likely discussed financing plans with the Government here.

An American consulting concern, Parsons, Brinckerhoff, Tudor, and Bechtal, have completed technical evaluations of the seven bids and each participant. The financial aspect is seen as crucial and the French are rumoured to have a significant edge in this area.

Anti-trust laws

An American executive said that while the U.S. Export-Import bank was good, Americans in general are not as competitive as other countries because of stiff American anti-trust laws and disadvantages on finance.

"The French and Japanese can get money (for the project) all at once, invest it and minimise their borrowing costs," he complained. In addition, he said, British, Japanese and French competitors are able to obtain Government insurance against inflation.

People here at work on the Metro project still shake their heads over the U.K.'s astronomic tender of $605m., well over double the lowest offer. One analyst close to the project said the GEC bid was "quite competitive" on most points, but estimates on the coachwork "were so high as to be laughable. The price per car was far higher than anyone expected," he said.

A foreign competitor was not so kind "The British apparently crossed every T and dotted every I on the specs," he stated. "They were too careful about conforming to the contract specifications, especially considering some of the competition."

The U.K.'s performance in Caracas was seen as all the more curious since a British consortium had won an important contract on the Hong Kong Metro. Bidding between the British and the French in the Caracas contest were a French-Belgian group ($296.5m.), Westinghouse Electric ($306.7m.) and Pullman Standard ($304.8m.), both of the U.S., a Canadian consortium ($374.6m.), and Siemens with a dual bid.

The Siemens tender included a $259.3m. offer for aluminium coaches and another at $257.9m. for stainless steel cars.

Specifications on the Caracas Metro's rolling stock and other equipment are exacting by international standards, and obviously some participants chose to bid on their own specs. "In some cases the specifications were far too demanding."

A European businessman said, "Caracas wants 96 per cent. reliability for an entire car, for example. This is just too much. Maintenance is crucial here and Venezuelans are miserable at maintenance. Look how many new buses are sitting out in the repair lot.

"Meeting some of the demands is going to be impossible, and the companies know it," he went on. "Your choice is to tell the Metro people what you think they want to hear, and weasel your way around the specs, or else get nailed to some specifications that everyone knows are unreal for Venezuela."

A foreign engineer well acquainted with the Caracas Metro commented that the American consulting engineers—Parsons, Brinckerhoff, Tudor and Bechtel—had carefully elaborated specifications on each system the Venezuelan Government wanted for the trunk line. "Under normal conditions in the U.S." he said, "a contractor would bid on the specs. If he didn't, he's tossed out."

"In Venezuela's case, th[e] some bidders complained b[y] hand that the specifications [were] too carefully drawn accord[ing to] U.S. style safety and per[form]ance standards, and esse[ntially] demanded a "custom m[ade] system. They hinted they [would] not enter the competiti[on if] things weren't loosened up [some]what, he said.

As a result, all the partie[s] gave the Metro what they [asked] for—to some degree. One [bidder] may skimp on longevity, t[ell] the Venezuelans that wit[h pro]per maintenance they can [pro]vide a system or piece of [equip]ment at a far better price [than] anyone else. Of course, if [main]tenance is not as good a[s the] system required, the Metr[o may] suffer from high equipme[nt re]placement, extra costs or shutdowns.

Full compliance

Under conditions of sobriety, no one would admi[t] his company might have o[ffered] less than full compliance u[n]der specifications. However [par]ticipants are not always w[illing] to restrain themselves [when] asked to comment on the [com]petitors.

"The French bid simply not conform," an Amer[ican] groused. "But they squeeze[d in] with the low bid, made adjustments along the way [and] now they seem to be ahead.

Another American said: [We] bid precisely on the Gov[ern]ment's specifications even th[ough] we thought some of them [were] a lot of bull. We took the[m] very seriously, just like we w[ould] a job in the U.S.

"But in Venezuela, it's [in]credible. Bidders want to cha[nge] the specs. after the bids are [in]. If this project were being [done] in the U.S. the French and [Ger]mans would have been tossed [out] at the start."

Brazil steel project in doubt

BY DAVID WHITE — RIO DE JANEIRO, Oct. 23.

THE FUTURE of a $2bn. steel mill planned at Tubarao in south-east Brazil hangs on a decision in the next few weeks by the minority Japanese partner, Kawasaki Steel.

The Brazilian Government's budget for steel projects next year, set at $2.7bn. rather than the $4bn. originally foreseen, makes clear that Brazil is depending on suppliers' credits to cover its share of equipment costs.

Kawasaki, which has a provisional 24.5 per cent. share in the project on an equal basis with the Italian Finsider group, is understood to be ready to raise the $613m. Brazil is asking for only if it, Kawasaki, is released from its commitment to buy 1m. tonnes a year semi-finished steel plate produced at the plant.

The plant is planned to produce 3m. tonnes a year in its first stage, 40 per cent. of which for export.

Brazil's potential to absorb a greater share of the output depends on the gravity of its current economic slowdown, which has reduced forecasts of expected consumption levels in the early 1980s, when Tubarao is due to start operating.

Next year's investments by Siderbras, the State holding company, cover expansion plans in the three main State-owned steel mills and Brazil's share in another $2bn. project, Acominas, being built in Minas Gerais State with a 20 per cent. European shareholding.

About $665m. of the $2.7bn. spending plan is destined for Acominas, according to Government officials. It has been clear since late last year that the Tubarao project was likely to take lower priority in Brazil's revised steelmaking plans.

Last year a steel project near Rio de Janeiro and a joint venture with Nippon Steel at Itaqui on the northern coast were postponed indefinitely.

Initial agreement on Tubarao was reached in March last year, already after long delay. Construction of the plant was due to start at the beginning of this year, but there is currently no work being done on the site.

Kawasaki is understood to have asked to be released from its purchase clause for the first two years of operation, in view of the current saturated state of the world steel market.

Meanwhile, Brazil's steel production in the first nine months of this year was 20 per cent up on 1976 levels at 8.19m tonnes, according to the Brazilian Steel Institute here.

Oil tanker call is dropped

By Ian Hargreaves, Shipping Correspondent

THE U.S. appears to have qui[etly] dropped its demand for inter[na]tional regulations requiring t[hat] oil tankers should have do[uble] bottoms—a measure designed [to] help prevent pollution in [the] event of accidents.

This is the main developm[ent] of two weeks of talks at [the] Inter-Governmental Mariti[me] Consultative Organisation, London. IMCO is the Uni[ted] Nations agency which deals w[ith] shipping matters.

The talks have been held [to] clear the ground for a full-sc[ale] conference on tanker safety a[nd] pollution prevention n[ext] February. This was called main[ly] as a result of U.S. pressu[re] following a series of oil sp[il]lages off the U.S. coast l[ast] winter.

In setting out priorities f[or] discussion at the February co[n]ference, the U.S. has apparentl[y] accepted that it stands no chance of gaining support for more modest, but still extreme[ly] costly, requirement for tanke[rs] to carry separate water balla[st] and oil cargo tanks.

If such water tanks ar[e] strategically sited within vessel[s] it is believed they could play [a] significant part in preventing oi[l] spills in the event of grounding or collisions.

At the meetings just concluded, there was widespread support for enforcing segregated ballast for smaller new tankers, but any proposal to require segregation in existing tankers will meet with stiff opposition in February.

Another alternative considered by the working committees has been a system of crude oil washing, designed to make tanks cleaner before water ballast is pumped in.

Most support at the meeting was for stepping up inspection and certification procedures for ships and there is confidence that substantial progress will be made on this matter in February.

If approved, the higher standards for tankers will be annexed to two international conventions on safety and pollution and as such could well lead to a more rapid international ratification of those conventions.

JAPANESE IMPORTS

Stores seek more Western goods

BY OUR OWN CORRESPONDENT IN TOKYO

IN PART thanks to the yen's strength against other currencies, Japan's large department stores have begun to diversify their purchases of overseas goods and put stress on sales of imported goods by expanding sales spaces for them.

Seibu, Japan's largest distribution group, has announced that the group will emphasise direct imports of European and American goods to be distributed through the group's sales network including Seibu department stores, Seiyu and Midoriya stores.

At the same time, the group has announced plans to start a publicity campaign for promoting European exports to Japan. It began with an introduction of Japanese retail markets in the form of a full-page advertisement in Le Monde and other newspapers will follow.

The Seibu group has dispatched its buyers to Europe to find marketable European goods for Japan, ranging from kitchenware, processed foods, clothing, furniture and automobiles to helicopters. European goods were displayed at a European Life 77 exhibition at the main Seibu department store.

Japanese department stores traditionally have dominated the retail market selling imported products, usually selling at four or five times at the original price. Because, they say, the Japanese consumer's deep-rooted belief that imported goods are exotic and higher class and thus expensive. Of late this attitude in favour of luxury imported goods by Japanese retailers has been criticised as an import "barrier" to foreign goods.

The Seibu distribution group, with an annual sales capacity of Y1,000bn., is now shifting towards direct imports of European and American practical and everyday clothes.

Last June, the same group put on sale the super-large refrigerators of Sears Roebuck of the U.S. with which the group has a tie-up. Within the first week, all 600 units were sold out because they were cheaper than the Japanese equivalent and now more than 3,000 clients are on a waiting list.

The group is planning to import other home electric appliances such as washing machines and dryers. According to a spokesman of the Seibu group, Japanese consumers have begun to choose imported goods "giving priority to quality and price rather than based on the novelty of imported goods" for which they have paid in the past.

Partly because of the Japanese Government's import promotion measures to correct the trade imbalance and partly because of the rising yen, sales by Seibu of imported goods have improved remarkably recently. For instance, sales of directly imported goods at the Seibu department store increased 15 per cent. to Y11bn. last year.

Cuba seeks status of most favoured nation

BY CANUTE JAMES — KINGSTON, Oct. 23.

THE REPUBLIC of Cuba is seeking most-favoured-nation status in any trade relations which might be developed with the U.S., not as a privilege but in recognition of the island's position as an underdeveloped country, President Fidel Castro said here.

The suggestion of most-favoured-nation status in relations with the U.S., raised earlier this month in the U.S. by the Cuban Foreign Minister Marcelo Fernandez Font, was aimed at guaranteeing that the island was not discriminated against, and that trade could be enacted normally, the Cuban President said.

Just before leaving for Cuba after a six-day state visit, Dr. Castro indicated that Cuba was considering the U.S. as a market for many of its exports and their purchases before the revolution.

He spoke of the U.S. as Cuba's natural market, to which his country had a right, and which had been taken away in the early years of the revolution.

While saying that trade relations between the U.S. and Cuba should be developed, the Cuban President repeated that what was now standing in the way of the establishment of normal relations was the embargo on trade with Cuba, imposed by the U.S.

It emerged that the Cuban leader thought this to be the sole factor. He pointed to a changed attitude of the U.S. Government to Cuba since the advent of the Carter Administration.

Contracts

● Clarke Chapman Marine of Gateshead has won an order worth nearly $2.4m. for a batch of more than 50 hoists each rated at 240 tonnes. The customer is Pearson Engineering, Miami, Florida, developer of the Syncrolift system of drydocking, and the hoists will be installed in a new Syncrolift installation in the Argentine. In addition to the Argentina order Clarke Chapman has been awarded further contracts for hoists worth nearly $750,000 for installations in Brunei, South Africa and Egypt.

● Industrie Pirelli expects to supply Algeria with around $100m. worth of tyres during the five to six years it will take to complete a planned tyre plant project there, the company said.

The Italian Government has approved plans for export credits for the project, which involves Pirelli with Fried. Krupp which will supply heavy machinery. The value of the contract for Pirelli itself is $300m.

● KLM Royal Dutch Airlines has decided to order two Fokker F28 Fellowships for its subsidiary NLM CityHopper. In addition two options have been taken on this aircraft type. Both ordered F28s will be delivered in November and December, 1978, but as early as from April 1 next year NLM CityHopper will lease two Fellowships from Fokker-VFW to serve the routes Rotterdam-Paris (Charles de Gaulle) and Rotterdam-London (Heathrow).

Pipeline signing

THE gas pipeline agreement linking Bologna, Italy to the Algerian natural gas field at Hassi R'mel in the Sahara was signed in Algiers on Saturday by Mr. Nourdine Aid Laoussine, vice-president of Sonatrach, the Algerian national oil and gas company and Pietro Sette, president of Ente Nazionale Idrocarburi (ENI), the Italian national energy group, and Lorenzo Roasio, president of SNAM, an ENI subsidiary, Irene Furness writes from Algiers.

World Economic Indicators

RETAIL PRICE INDICES

	Sept. 77	Aug. 77	July 77	Sept. 76	% change over earlier year	Index base year
Italy	121.9	119.7	118.9	95.55	+21.4	1976=100
W. Germany	144.5	144.5	144.9	139.1	+ 3.9	1970=100
U.K.	185.7	184.7	183.8	160.6	+15.6	1974=100
Belgium	124.05	123.18	122.77	116.46	+ 6.5	1975=100
U.S.	184.0	183.3	182.5	172.6	+ 6.6	1967=100
Holland	184.2	183.1	182.7	173.2	+ 9.2	1969=100
	Aug. 77	July 77	June 77	Aug. 76		
France	185.1	184.1	182.5	168.4	+ 9.9	1970=100

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OVERSEAS NEWS

Smith deeply pessimistic over U.K.-U.S. peace plan

BY TONY HAWKINS SALISBURY, Oct. 23.

[EX]PRESSING deep pessimism [over] the outcome of the U.K.-U.S. [settle]ment plan, Mr. Ian Smith, Rhodesian Premier, stated to-[day]: "I cannot see this [scheme] succeeding. This is my [since]re and honest assessment."

[In] a Rhodesian radio and TV [inter]view, he said, "I have to be [prag]matic, and ensure that [Rhode]sians are not led astray [into] believing that things will [happ]en which I don't believe will [happ]en."

[Sa]ying he was "very pleased" [that] Lord Carver, the resident [com]missioner designated by the [Brit]ish government, had accepted [an off]icial Rhodesian invitation to [visit] this country, Mr. Smith [add]ed that Lord Carver was [fac]ing an almost impossible task. [Thi]s was because the British [Gov]ernment was insisting on put-[tin]g the cart before the horse and [try]ing to secure a cease-fire [pri]or to the confirmation of the [final] result, the end constitution."

[M]r. Smith said that he doubted [wh]ether the central issue of [mai]ntenance of public order [dur]ing the proposed six-month [tra]nsitional period was nego-[tia]ble: "If by negotiation you [me]an compromise." He had [be]en told by many visitors—[inc]luding British MPs—that [no]body in his sane senses could [ex]pected Rhodesia to agree to [dis]band its security forces, [k]nowing how successful they [are] and how important they are [to] the maintenance of law and [or]der."

The main stumbling block to [a] settlement along the lines of [th]e U.K.-U.S. proposals was the fact that the front-line African presidents supported the Patriotic Front. This was basically support for Mr. Joshua Nkomo, since Mr. Robert Mugabe, the other Front Leader, was "unknown" in Rhodesia and had "infinitesimal" support.

"The problem is—how do you get the front-line presidents and Nkomo to go along with a plan that will not automatically instal their man as leader?" Mr. Smith said his advice was that the nationalist leaders operating inside Rhodesia—Rev. Ndabaningi Sithole, Bishop Abel Muzorewa and Chief Chirau—had 85 per cent. support from the blacks in the country.

Mr. Smith told a questioner that it had been made clear to Britain that plans to disband the Rhodesian security forces were a "non-starter." He also thought that the "first stage" of the operation—tha cease-fire—was mostly unlikely to succeed. However, be boped that the visit by Lord Carver would not be an "exploratory" one. Too many people were dying in the war—"in one week, 100 terrorists and regrettably 100 black civilians as well"—so he was not interested in any "time-wasting operations."

Mr. Smith said that Lord Carver would get "utmost co-operation" from the Rhodesian government. "There is nothing that we want more than a cease-fire, but he's got an almost impossible task." Mr. Smith said that be would agree to immunity from prosecution for guerillas, but he empbasised that there could be no band-over of political power without the Rhodesians first knowing what was to follow.

For the second time in a week, Mr. Ian Smith revived bis plan for an "internal settlement. I believe that, in the end, we will come back to this."

Asked how he could get the internal plan off the ground, without the support of Bishop Muzorewa and Mr. Sithola, Mr. Smith replied, "I understand these two men wish to give time to the new Anglo-American initiative, to ascertain whether it can succeed or no. Then, if it fails, they are prepared to have a look at alternatives."

He had no doubt that, if there were a "genuine internal settlement," it would be internationally acceptable. Mr. Smith said that he had had frequent messages to this effect, but he declined to name the governments or organisations which had expressed these opinions.

Mr. Smith's negative comments about the U.K.-U.S. peace plan follow two recent TV interviews in which he appeared to be adopting a much more positive attitude. His comments to-day echo those made by Bishop Muzorewa on his return from London at the week-end. He accused Britain of leaning over backwards to accommodate the Patriotic Front and of seeking to "impose" Mr. Nkomo on Rhodesia.

Spanish government, opposition agree on social contract

BY ROBERT GRAHAM MADRID, Oct. 23.

AFTER TWO weeks of exhaustiva discussions, the Spanish government has gained acceptance from the opposition parties for wide-reaching economic measures which amount to a form of social contract.

The basis for the contract is a compromise. The government has traded wage restraint and tighter controls on state spending in return for greater social benefits like improved unemployment pay, more cheap housing, more equitable taxation and moves to provide free education.

The agreement is the first test of the consensus politics of Sr. Adolfo Suarez, the Prime Minister, in the wake of the decision on October 9 by the government opposition parties to co-operate on essential issues. Then, the opposition Communist and Socialist parties agreed in principle to co-operate on emergency economic measures, in return for concessions on reform of the penal code, police regulations and of certain laws which were relics of the Franco era.

Agreement this week-end represents the result of approval of the economic measures in detail. They are due to be presented to parliament on Tuesday, and are the logical next step after the 20 per cent. devaluation of the peseta on July 12.

Sr. Suarez was quoted as saying that, with these measures approved, Spain was capable of overcoming its economic crisis.

Under the agreement, wage increases will be held to a maximum of 20 per cent. in 1978. (Due to the method of calculation, the ceiling could be as high as 22 per cent.) Wage rises for the present year have been held to an average of 25 per cent.

One sweetener to the trades unions is that, if the cost of living index rises by more than 25 per cent. (on an annual basis) by July next year, then the wage ceiling will be reviewed. This is balanced by allowing employers to reduce by up to 5 per cent. their work-force, if they agree to pay, due to pressure by workers, wage increases above the norm. The latest inflation figures for August indicate an increase of 31 per cent. on an annual basis.

Sr. Suarez bopes that, by keeping the state budget deficit at 73bn. pesetas (£490m.) and balancing the large social security budget in 1978, the economy will be dampened. Further, tighter controls will be exerted on state enterprises, the money supply will be kept down to a 17 per cent. increase.

Meanwhile, credit will be squeezed, with preference given to export-orientated industries, the depressed fishing industry, agriculture and medium-sized businesses.

The hope is clearly that these measures will obviate the necessity for a further devaluation.

The Government has conceded to the Communists and Socialists that Parliament shall review the social security budget and be able to control the administration of State companies, which are widely regarded as being responsible for waste and without proper accountability. Also, a special commission will be formed to consider monetary policy and banking practice.

The agreement also includes a commitment to introduce a wealth tax, a gift tax, changes in corporation tax and more relief for the lower-paid.

The most remarkable feature of this social contract is that it has been arranged without the direct participation of two key groups — trades unions and management.

Unemployment receives comparatively little attention. The Government is committed to providing more unemployment benefit and giving assistance to employers who provide new jobs. But it has fought shy of any formal initiative to create jobs for the 600,000 officially said to be unemployed. Union sources claim that the figure is nearly 1m.

French Treasury official favoured for IMF leadership

BY DAVID BELL WASHINGTON, Oct. 23.

M. JACQUES de la Rosière, a senior official in the French Finance Ministry, is emerging as a leading contender to succeed Dr. Johannes Witteveen who steps down as managing director of the International Monetary Fund next year.

It is understood that France has strongly urged its EEC partners to accept M. de la Rosière, who has wide international experience. He is currently Director of the Treasury.

The managing directorship of the IMF has traditionally gone to a European. A number of prominent names, including that of Mr. Denis Healey, the Chancellor of the Exchequer, have been mentioned in the past few weeks. But it is understood that, so far, none of them has been pushed as hard as that of M. de la Rosière.

Lastly, however, the Italians are reported to have put forward formally the name of Sig Umberto Dini, their executive director at the Fund, as a candidate. This has been interpreted in some quarters here as an attempt to block any immediate EEC agreement on M. de la Rosière, who is considered by some members of the Fund, particularly those in the developing world, to be too conservative.

At the last meeting of EEC Finance Ministers, in Luxembourg, there was little opposition to M. de la Rosière, it appears.

The names of two other people have been widely linked to the job, but it is not yet clear if they wish to be active candidates Mr. Wilem Duisenberg the Dutch Finance Minister, would undoubtedly be a strong contender, but he was not present at the meeting last week of Finance Ministers and it is not clear that he is prepared as yet to give up his position in Dutch politics.

Equally Mr. Willy de Clerq, the former Belgian Finance Minister, who has also been mentioned, has a key position in Belgian politics which he may not wish to relinquish at this stage. Another name which seems certain to appear on the final short list is that of Mr. John Turner, a former Canadian Finance Minister, and former chairman of the IMF interim committee. But objections are bound to be raised to the idea that the leadership of the IMF and the World Bank should both be in North American hands.

The position of the U.S. Government is still not clear. Some sources suggest that the U.S. has already given tacit approval to the name of M de la Rosière, but others are equally insistent that the U.S. would not approve him, because it is felt that he might not be flexible enough.

Quebec asbestos takeover

BY ROBERT GIBBENS MONTREAL, Oct. 23.

[TH]E PARTI Quebecois Govern[m]ent, as promised in the speech [by] Premier Rene Levesque in [N]ew York last January, is going [a]head with the takeover of U.S. [Ge]neral Dynamics Corp.'s 54.6 [pe]r cent. interest in Asbestos [Co]rp., Quebec's second most im[po]rtant asbestos mining com[pa]ny.

But General Dynamics, the [a]erospace, shipbuilding and [el]ectronics giant, insists the [st]ock is not for sale. At the [m]arket price on Friday, the [st]ock would have cost the Quebec [G]overnment about $38m. if the [sa]me offer were made to public [sh]areholders, the cost theoretically would be about $75m.

However, the Wall Street investment house Kidder Peabody [h]as already been soliciting stock [o]n behalf of the Government. [T]he Government's pension investment arm, the Caisse Depot, has for some time held a block of about 5 per cent.

The company, which has had its ups and downs, represents 35 per cent. of Quebec's mine capacity.

The Quebec Government, in its asbestos policy, stresses it does not intend taking over any of the other producers such as Canadian Johns-Manville, Bell Asbestos (Turner and Newell of the U.K.) or Carey Canadian (U.S.-owned). Bell operates a large asbestos products plant in Montreal and CJM another in Toronto.

It is setting up Societe Nationale de l'Amiante, a Crown corporation, to take over the General Dynamic stake in Asbestos Corporation, with initial capitalisation of $50m.

U.S. ports strike move

BAL HARBOUR, FLA, Oct. 23.

THE largest U.S. shipping group broke away from a six-port association to-day and became the only group still negotiating with the International Longshoremen's Association (ILA) in hope of settling a three-week strike by the dockers.

Mr. James Dickman, president of the New York Shipping Association (NYSA), announced the association's withdrawal from the Council of North Atlantic Shipping Associations and resigned as council president.

NYSA, which represents 135 companies and 12,000 longshoremen in the ports of New York and New Jersey, then began its own negotiations with the ILA over the selective strike against container shipping which has affected east coast ports from Maine to Texas.

An NYSA spokesman would not comment on how close the group and the ILA were on reaching a settlement, which would affect only the ports of New York and New Jersey. Mr. John Rogers of the Federal Mediation and Conciliation Service, said that NYSA and the ILA met representatives of shipping lines. He added that the carriers' proposal dealt with assuring that money would be available for schemes such as Longshoremen's pension funds.

The council represented shipping groups in New York-New Jersey, Boston, Baltimore, Philadelphia, Providence and Hampton Roads, Virginia.

UPI.

New ministers in Israel

BY DAVID LENNON TEL AVIV, Oct. 23.

THE FOUR new ministers who will join the Israeli Cabinet to-morrow were chosen by the Democratic Movement for Change (DMC) this evening, it having decided on Thursday to join the coalition after five months of negotiations.

The party leader, Prof. Yigael Yadin, 60, was elected unopposed by the DMC council as the nominee for the post of Deputy Prime Minister. This puts the archaeologist and former army chief of staff in a position to challenge for the premiership if Mr. Menahem Begin, the incumbent, is forced to resign through ill-health. He was in hospital three times this year with heart trouble.

Prof. Yadin and the other three nominees will join the cabinet when it meets in special session to-morrow afternoon. Immediately afterwards, the Premier will present his enlarged cabinet to the Knesset.

The new ministers will take the portfolios of Justice, Transport and Communications, and the newly created Social Betterment Ministry.

The unchallenged candidate for the Transport post was Mr. Meir Amit, 56, who headed the Mossad, the Israeli security service, from 1963-68. He was appointed director-general in 1968 of the giant Korr Industries, which is owned by the Histadrut labour federation.

The new Justice Minister will be Mr. Shmuel Tamir, 54, a successful lawyer with a reputation as a political maverick. He merged his tiny Free Centre Party with the DMC just before the general election in May.

The Social Betterment Ministry went to Dr. Israel Katz, 49. He is one of the leading Israeli authorities on social problems.

Oman may keep SAS men

BY STEWART DALBY MUSCAT, Oct. 23.

FIFTEEN members of the British Special Air Services regiment may stay in Oman after other British troops leave the country later this year, according to western military sources here. The men have largely been concerned with counter-insurgency work in Dhofar province, where a rebellion which lasted 10 years ended nearly two years ago.

A company of engineers and an army surgical unit are due to leave before the end of this year. Like the SAS men, they form part of the British Direct Assistance Programme to the armed forces in Oman, and are partly paid for by the British Government. The SAS men were due to have left with them, but their position is now under review, and it seems likely that the 15-man group will stay on after the end of the year.

Jamaica devalues

Jamaica has announced a 24 per cent. devaluation of its dollar, bringing to 40 per cent. the total depreciation of its currency since a two-tier exchange system was introduced in April, Reuter reports from Kingston. The latest devaluation applies only to the tourism exchange rate for exports and non-essential imports.

16th NOVEMBER 1977 REDEMPTION

SHELL INTERNATIONAL FINANCE N.V.

U.S. $50,000,000 6½% LOAN 1979

DRAWING OF BONDS

NOTICE IS HEREBY GIVEN that a DRAWING OF BONDS of the above loan took place on 6th October 1977 attended by Mr. Keith Francis Croft Baker of the firm of John Venn & Sons, Notary Public, when 7,000 bonds total of U.S.$7,000,000 nominal capital were drawn for redemption at par on 16th November 1977, from which date all interest thereon will cease.

The nominal amount of this loan remaining outstanding after 16th November 1977 will be U.S.$15,000,000.

The following are the numbers of the bonds drawn:-

The above bonds may be presented for payment of the proceeds of redemption at par on or after 16th November 1977 at the offices of the paying agents named on the coupons in the manner specified in Condition 6 of the Terms and Conditions of the Loan printed on the bonds. Each of these bonds when presented for redemption must bear the coupon dated 16th November 1978, and subsequent coupon, otherwise the amount of the missing coupons will be deducted from the principal to be repaid.

Witness: K.F.C. Baker, Notary Public

Principal Paying Agent: N. M. Rothschild & Sons Limited, New Court, St. Swithin's Lane, London EC4P 4DU.

24th October 1977

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HOME NEWS

New jobless figures likely to fuel calls for reflation

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE EVE of the mini-budget ...ment on Wednesday, the ...rnment is likely to be pro...g with a further reminder ...he problems of the "real" ...my with the publication ...orrow of the unemployment ...es for mid-October.

...e number of people out of ...k in the U.K. has been rising ...ply in the last few months ...almost all economists expect ...trend to continue until well ...next year whatever fluctu...s there may be from month-...onth.

...his is in contrast to a ...lling-out in the unemploy-...t total between last autumn and the late spring. However, since Mid-May the number of adults out of work in the U.K. has risen by 130,500 in four months to 1.45m., seasonally adjusted. This is equivalent to 6.1 per cent. of the workforce.

This rise has fuelled demands for reflation, which will be met only in part in Wednesday's statement.

The increase in unemployment reflects the sluggish level of domestic activity with a decline in Gross Domestic Product in real terms between the first and second quarters of the year.

Although there are now signs that demand is recovering this has yet to be reflected in output. A significant rise in production will be required in order to reverse the recent unemployment trend, partly because of the steady rise in the workforce.

The mid-October figures will be watched particularly closely for the jobless trend among school leavers. Unemployment in this group has already started to decline from its usual summer peak as the recruiting season starts. But in mid-September the number of school leavers on the register was still nearly 176,000, which was around 26,000 higher than a year earlier.

No other major economic indicators are due to be published this week.

Healey 'must give back £2.5bn.'

BY PETER RIDDELL

...REASES in public expendi-...e or tax cuts totalling more ...n £2.5bn. will be required in ...t week's package and the ...ing Budget before any sig-...cant reflation or expansion of ...economy at all has occurred, ...ording to Mr. Michael Posner, ...Cambridge economist.

...n his quarterly economic re-...w for stockbrokers J. and A. ...imgeour, Mr. Posner says that ...rely filling the gap caused by ...tious budgeting of expendi-...e in the public sector and an ...ustment of tax allowances for ...ation would mean increases in ...nding or tax cuts next month ...more than £1bn. and of ...other £1.5bn. in April.

Mr. Posner, a former deputy ...ef economic adviser to the ...asury, says that there is scope ...some genuine fiscal expansion ...er and above this reference ...ure with the main boost being ...ld back to the spring when the ...ape of the current wage round ...ould be clearer. Expansion ...ould depend on the assurance ...a moderate wages round, and should not go ahead if the wage front does not hold.

Even if a substantial current account surplus continued to be a policy objective, the U.K. could afford some increase in home demand relative to expansion in other industrialised countries.

An extra 2 or 3 per cent. on Gross Domestic Product—recovering one or two years of the six years of lost output growth—would be "just about manageable."

"This would probably require at least £2bn. of genuine fiscal expansion over and above the £2.5bn. set as the reference level."

Given a continuation of current monetary targets into 1978-79, his own guess was that Mr. Denis Healey, the Chancellor, would "find it hard to convince himself that more than £1bn. or £1.5bn. of net expansionary activity would be acceptable in November and April combined."

This would total less than £4bn. after taking account of the initial adjustment of £2.5bn. before reflation started.

"To his trade union and electoral audience this will be made to sound a very large figure indeed. To those of us attached to the economic arithmetic of the 1960s, it will be clear that such changes, net, would amount to no more than the injection of an additional 1 per cent. of purchasing power into the economy, which, even after the conventional multiplier effects, would be very unlikely to do more than slow down or at best halt the rise in unemployment at present going on."

Market 'must exist for farm output'

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

FOOD MANUFACTURERS have warned the Government that there is no point in planning to increase agricultural production in this country without having first established whether there is a market for it.

The Food Manufacturers' Federation is believed to have told the Agriculture Ministry that while it supports the policy of import-saving in principle, it should not be used for giving the farming industry what it wants at the expense of the consumer.

Behind these views is the long-held feeling among some food manufacturers that the Agriculture Ministry pays too much attention to the opinions of farmers and not enough to those of the food manufacturers it is also supposed to represent.

In June, Mr. John Silkin, Minister of Agriculture, announced that his department was beginning consultations with a view to producing an up-dated version of the White Paper, Food from Our Own Resources, published in 1975.

This White Paper established the target of increasing agricultural production by 2½ per cent. a year in the five years to 1980.

These targets have been missed, partly because of the two years of drought, and for this reason the policy is now being re-considered.

In its comments to the Ministry of Agriculture, the federation is understood to have repeated its view that the original White Paper was too heavily oriented towards the needs of agriculture and not enough towards those of food processing and distribution.

This time, the federation feels the Ministry should carry out detailed market research to establish whether a market for any increased agricultural production exists, before setting any new targets.

It is thought to have told the Ministry that while the balance of payments argument in favour of increasing domestic food production may appear convincing, there is no guarantee that just because more food is produced in this country, the British will buy more of it.

In the dairy industry, for example, the Federation believes that it would require a major investment in advertising and marketing to persuade consumers to switch from imported products.

The Federation is also believed to have stressed the need to consider the question of increasing British production in an international context.

Some food manufacturers fear, for example, that increasing dairy production in this country could merely add to existing surpluses within the EEC and so revive proposals for taxing dairy substitutes, like margarine.

The Federation is also thought to have questioned the assumption that a policy of import saving would result in financial savings for Britain.

National Savings top £14bn.

Financial Times Reporter

THE NET INFLOW into National Savings in the four weeks to September 24 was £92.1m. This was more than double the £41.2m. reported for the same period last year, but well down on the "encouraging" £121.6m. of last August.

Much of the glamour has gone from National Savings since a £50,000 limit was imposed on the balances held in National Savings Bank investment accounts almost two months ago.

That move was intended to deter the institutional depositors from taking advantage of the very favourable interest rate offered on investment accounts (then 10 per cent., now 9 per cent.). And it worked. Nevertheless, there was a net inflow to National Savings Bank investment accounts in September of £29m. (compared with £0.5m. in the same period of 1976).

Savings Certificates also did well in this period, with a net inflow of £24.2m. That compares with £14.8m. for the same month last year, and £14m. in August this year.

The inflow of funds last month was sufficient to push the total invested in National Savings over the £14bn. mark for the first time. After allowing for £45.6m. in accrued interest, the total invested at the end of the period was £14.109bn.

Motorways dispute goes to courts for first time

BY IAN HARGREAVES, TRANSPORT CORRESPONDENT

AN ATTEMPT is expected on Wednesday to use the courts for the first time to prevent the building of a motorway.

The Midlands Motorway Action Group and the M42 Action Committee will hold that the Environment Secretary's decision of August 1976 to confirm two sections of the M40 and M42 between Bromsgrove and Warwick was contrary to certain requirements of the Highways Act and to natural justice.

Modify

It had been thought, in the year since legal action was first seriously suggested, that either the Department of Transport would modify its approach to the two roads or that the protesters would fail to raise the £7,500 needed to fight the case.

A number of important points raised in objection at public inquiries into numerous motorway and trunk road schemes are involved.

The action groups hope to test three main points: Whether a Minister can allow a period of years to elapse between a public inquiry and a decision on a route without publicly reviewing traffic forecasts, and other economic factors, in the interim; whether objectors can challenge the mathematical methods used by the Department in calculating traffic forecasts; and ability of objectors to challenge at inquiries the concept of "national policy need" for a given scheme.

Decisions on the future of the M42 and M40 are probably the most important highway decisions still to be taken in the English roads programme.

The roads are designed to provide a continuous link south of Birmingham between the M5, the M42 between Birmingham and Coventry, and the much more ambitious scheme to build a North-South motorway (the M40) between Birmingham and Oxford, linking with other trunk roads in Southampton.

Imminent

A decision is believed to be imminent on future planning stages of the M40, Birmingham-Oxford, but is not likely before Wednesday.

The writ against the Department was served a year ago in the name of two objectors, one of whom would have his farm cut into four by the M42.

Counsel for the action committees will be Lord Gifford.

Lending rate too low, stockbrokers claim

BY MICHAEL BLANDEN

THE BANK of England's minimum lending rate is now too low, stockbrokers W. Greenwell say in their latest monetary bulletin.

The brokers claim that the authorities have allowed MLR to fall to its present level of 5 per cent. in an attempt to reduce the inflow of foreign funds with the resulting effect on the broader definition of the money supply (M3).

The latest figures published last week showed that in sterling terms M3 rose by 2.2 per cent., bringing the rate of increase over the first five months of the financial year to the top end of the official target range of 9-13 per cent. for the full year.

The figure confirmed that the August statistics showing that sterling M3 was virtually unchanged in that month were a "statistical quirk."

The appropriate policy to deal with the inflows of foreign funds was a relaxation of exchange controls on the outward flow of funds.

The low level of domestic credit expansion—about £900m. in the first five months of the financial year this had been well below the growth rate implied by the £7.7bn. ceiling for the full year — had induced a flow of funds into the U.K. from abroad.

At present, the authorities were no longer in danger of undershooting their money supply targets. Policy now appears to be more evenly balanced, with the risk of overshoot more nearly equal to the risk of undershoot.

Builders warn Healey on excess reflation

BY DAVID FREUD, INDUSTRIAL STAFF

THE CHANCELLOR has been warned not jeopardise longer-term progress by excessive reflation at this stage in a memorandum from the National Federation of Builders and Plumbers Merchants.

The federation points out that the building industry's capabilities are severely damaged by excessive upswings and downturns in workload. "A gradual increase, with occasional moderate checks if required, would better ensure steady capital investment in modern equipment and methods, and the retention of a more stable skilled workforce," it says.

For this reason the federation argues that any increases in public spending in the proposed mini-Budget should be moderate and progressive, rather than massive and instantaneous. Such spending should be allocated to longer-term investment priorities.

The Association of Metropolitan Authorities has told the Chancellor that if he wants to give the construction industry immediate aid local authorities have schemes waiting for the go-ahead.

Mr. Tom Caulcott, secretary of the association, said: "Many construction schemes have been held up for two years and more because of public spending restrictions. Among them are schemes that could help bring industrial development to areas hardest hit by unemployment."

Troops in Belize lacking proper supplies, says MP

BY DAVID FREUD, INDUSTRIAL STAFF

BRITISH TROOPS on duty in Belize, to which the neighbouring Central American State of Guatemala has staked a territorial claim, are improperly equipped and without adequate supply back-up to cover emergencies, a Conservative MP claimed to-day.

Mr. Robin Hodgson (Walsall North), who disclosed earlier this year that British tanks were using Soviet spare parts, said: "It is simply not good enough for the Government to send British soldiers on hazardous duty in such a state. It was, he said, a place "where there seems to be some possibility that weapons and vehicles would have to be used in earnest."

Mr. Hodgson said he had received a "flow of reports" about deficiencies in equipment in the Army. The Rhine Army was affected and "more seriously, there have been a number of specific and well-documented allegations concerning shortage of supplies and spare parts for British Army units serving in Belize."

He said: "I am told that the supplies of spare parts for vehicles are totally inadequate and that it is taking as long as three weeks to obtain replacements."

Mr. Hodgson added: "In addition, other shortages are alleged to occur in a wide range of military supplies including rifle oil, spare footwear and clothing."

£2m. fund for museum

A PUBLIC APPEAL for £2m. to finance the building of a permanent Battle of Britain museum at Hendon, London, is to be launched at Fishmongers Hall, in the City of London, on November 8.

The ceremony will be attended by the Lord Mayor elect of London, Air Commodore Peter Vanneck, and one of the most famous Battle of Britain pilots, Group Captain Sir Douglas Bader, who is chairman of the Appeal Committee. It is also hoped that Mr. Fred Mulley, the Secretary of State for Defence, and Marshal of the Royal Air Force, Sir Neil Cameron, chief of the Defence Staff, and himself a Battle of Britain pilot, will attend.

The new museum will be built at right angles to the present RAF museum at Hendon, on a site given by the Government. It is hoped to open it next autumn, and the centre-piece of the displays will be a unique collection of British, German and Italian aircraft which were engaged in the battle.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● PROCESSES

Fine finish on metals

DEVELOPED originally for application to stator vane and shroud assemblies in jet engines to protect metal surfaces from the effects of hot gas, a coating and finishing system is being examined for use in several other areas of industry.

The "5375 Process" has been evolved over a period of years and can now give a finish of 25 microinches and better over complex surfaces.

The preliminary coating of aluminium particles in an organic binder holds few secrets other than the way in which the binder encapsulates the aluminium. Equally, the final finishing process has an important proprietary ingredient.

The final layer has excellent finish and also very high heat conducting properties and, among other applications, the process is being studied for the coating of piston crowns.

Other areas under study are in the protection of large coil springs and the provision of finishing coatings on precision castings to offset the effects of porosity.

More from Sermetal (U.K.), High Holborn Road, Codnor, Ripley, Derbyshire. 0773 44397.

Quiet water jet cutter

PRESSURISED water is an excellent cleaning and cutting tool used by many industries but many units are noisy in operation.

Harben Systems of Salisbury is promoting its first silenced water jetting unit, built to EEC specifications and reduced to 80 decibels.

Automatic monitoring equipment shuts the engine down in the event of low oil pressure or high cooling water temperature.

Three existing models are being made available in silenced versions. All are powered by Perkins 4-108 30 bp diesel engines, produce operating pressures up to 5,000 psi and flows up to 11.0 gpm.

Ancillary equipment includes safety guns, jets, tube cleaning equipment, drain and pipe jets, hydro-abrasive blast units, cyclone jets, foot controls, valves etc.

Harben Systems, Watt Raad, Churchfields, Salisbury, Wilts. (0722) 25424.

● *By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.*

● COMMUNICATION

Keeps eye on the elderly

INTENDED to improve communications in old people's homes and in similar environments is a speech/alarm system from Nelson Tansley which enables up to 999 sub-stations to be connected to a two-way speech portable master unit.

Instant communication with the sub-stations is provided by simple key-board selection and a digital display indicates which one has been contacted. A call storage unit ensures that if, while one call from an old person is in progress another is made, the warden will be aware of the fact by means of a flashing signal. Until he has answered all the calls the indicator will continue to flash.

There is also a transfer facility: if the warden goes visiting, he keys in the number of the sub-station he is bound for and presses the transfer button; should a call be initiated before he returns, the buzzer will sound on the nominated sub-station as well as on the master.

Sub-stations have a simple switch, cord operated if necessary, enabling the user to select "call" "speak" or "off." Reassurance of various types can ha incorporated. More from 10 Shepherds Bush Road, London W9 7PJ. (01-749 1393).

● RESEARCH

Electric car cost exercise

SIGNIFICANT in the announcement that General Electric (U.S.A.) has won a two-year contract for just under $6m. to build two experimental electric cars is that they are to be powered by a lead-acid system when they first take to the road in 1979.

ERDA is providing the money and GE will work with Chrysler Corporation which will provide the "sub compact sized" bodies.

Electrical and mechanical innovation will be the task of GE at Schenectady, together with its sub-contractors and it will also supply the electrical drive system.

Globe-Union of Milwaukee will provide the high energy lead-acid battery system.

Technical and mechanical specifications for the two four-passenger cars have not yet been frozen. However, the battery system will supply 108 volts and this will be fed to a separately excited direct current motor.

Regenerative braking will also be used to help recharge the 18 batteries by harnessing the car's kinetic energy.

The whole design will be aimed at producing vehicles suitable for the stop-start of urban driving, having a range of 75 miles and a top speed of 55 mph.

Another objective is to engineer the cars so that they are suitable for mass-production and have a purchase price and operating costs comparable with conventional petrol-driven cars.

In the first year, the companies will concentrate on final system selection plus preliminary development of car components and their assessment, followed by assembly and testing of sub-systems. Final development of components and sub-systems will take place in the second year followed by assembly and testing of the two vehicles which are to be delivered in the spring of 1979.

Cleans jet engines

KRAFTWERK UNION of West Germany and Rolls-Royce are testing the R-MCS motor cleaning method developed by Ivar Rivenaes A/S of Bergen, Norway, to establish whether it is effective and economical for the cleaning of gas turbines running under full load.

This follows approval of the system by the gas turbine division of A/S Kongsberg Vapenfabrikk of Norway, as well as installation by the Dutch Gas Authority on General Electric FRAME 5 and Rolls-Royce RB211 turbines.

The test programme will establish important data on the potential savings achievable by gas-turbine operators using R-MCS. Before embarking on the programme, the turbine manufacturers' representatives confirmed that the R-MCS cleaning fluid contained no constituents harmful to engine materials; that it broke down internal deposits of carbon, vanadium oxide, sulphur salts and atmospheric pollutants, and that it contained corrosion inhibitors which form a barrier against future surface deposits.

Ivar Rivenaes, Damargardsvei 35, 5000 Bergen, Norway.

● INSTRUMENTS

Expedites finding of faults

PORTABLE equipment has been built by Intel to support OEM test and maintenance. It provides active control over microprocessor-based systems and is designed to expedite fault finding in laboratory, production test, repair-depot and field-maintenance applications.

The console is a general-purpose support system based on Intel's new 8085 microprocessor. Initially, its application will be in testing systems based on the 8080A, but the instrument can be quickly re-set to support systems based on different microprocessors by means of "personality probes" and keyboard-display panel overlays.

The 820 console was developed to fill the void in diagnostic equipment between conventional monitoring instruments and microcomputer development systems.

Intel on 0865 771431.

● HANDLING

Sturdy unit weighs by electronics

HIGH ACCURACY, a digital output which can be linked with various recording units and dual ranges for both models are some of the characteristics of the Metronic top pan electronic weighers from Oertling.

Capacities and related accuracy can be selected for a variety of industries and a large, rectangular weigh pan enables awkward objects to be handled with no problems, especially as accurate readings are taken across the whole area of the pan. An object placed at the side or at the centre weighs exactly the same.

There is no drift and the designers have largely [illegible] heat build-up while the [illegible] read-out reduces the [illegible] error and the [illegible] expected soon to get the [illegible] of the Department of [illegible] Consumer Protection [illegible] printed records from [illegible] used to provide legal [illegible]

Oertling, [illegible] Orpington, Kent. Orpington [illegible]

● METALWORKING

Big profile roller

WORM GEARS, spline shafts, knurlings, and many other components with complicated profiles may be produced more accurately and up to six times faster, using a profile rolling machine instead of a lathe.

The present trend is towards more powerful high production rolling machines capable of handling larger components, and this reflected in the latest 63 ton Erfurt model from WMW, the machine tool industry of the German Democratic Republic.

Rolling pressure [illegible] that of the [illegible] workpiece dimensions [illegible] 63 mm diameter [illegible] most metals up to [illegible] strength of 100 kg per [illegible] may be processed.

Erfurt Machinery, [illegible] Industrial Estate, [illegible] Sheffield S13 9NP. (0742) [illegible]

Demand seen on screen

A MAXIMUM demand monitor based on a graphical display has been developed by Sension of Northwich, Cheshire.

It is intended to solve more easily the problem faced by large industrial consumers of electricity—that not only do they pay for the units used, but also a surcharge determined by excess kVAh consumed above a certain demand limit in a single 30-minute period.

The Sension unit continuously plots the consumption in kVAh against time on the face of the crt, filling in the area under the curve as time progresses to the maximum of 30 minutes.

At each moment the equipment extrapolates the graph to the 30 minute point so that the user can see whether the maximum demand line will be crossed.

The system can be put into a standby mode with no display so that an overload condition will—with suitable alarms—bring it on. It can also be programmed to shed load automatically. More on 0606 44321.

Rotary tables

INCLUDING MODELS with stepping motors for use on numerically controlled machine tools, a range of rotary dividing tables has been developed by Bessboro, West Germany.

The range comprises standard hand feed tables with combined graduated drum and indirect dividing attachment, infinitely variable speed drive models with automatic reverse, and numerical control indexing types.

Tables are either 250 or 350 mm diameter, with mechanical clamping and disengageable worm drives. The various forms of [illegible]

Indexing facilities may be [illegible] at any time by replac[illegible] of sub-assemblies.

Manual tables provide indexing accuracy of ± 45 sec[illegible] arc. Variable speed table[illegible] The NC models [illegible] index step is 0.02 deg. [illegible] table can be logged in [illegible] increments. Indexing accu[illegible] ± 10 seconds of arc.

Marketing in the U.K. [illegible] Stanton Machine Tools, [illegible] Way, Holywell Industrial [illegible] Watford, Herts. WD1 8UA[illegible]

Keeps fumes at bay

SPECIALLY DESIGNED and developed for the welding industry, the "Safir Twinair" respirator has a comfortable rubber face-mask linked to two non-linking breathing tubes which pass over the wearer's shoulders on either side of the head to a small back-pack filter cartridge mounted on a leather waist-belt.

Unlike the layout of a conventional respirator the face[illegible] does not contain the [illegible] ridge. This allows the we[illegible] use the welding helmet no[illegible] without any obstruction fro[illegible] respirator.

Chapman and Smith, [illegible] Works, East Hoathly, [illegible] East Sussex, BN8 6EW. [illegible] 323.

● QUALITY CONTROL

Board test contender

WITH equipment designed at Hainault, Gould Advance has made an entry into the automatic test equipment market with its eye on electronics manufacturers who are interested in location and identification of short or open circuits.

The system, called AT1000, is available in basic tester or console form; it has a vacuum hold-down table for printed boards and can be applied to checking basic boards, loaded board assemblies, wiring harnesses and backplane wiring.

In its simplest form the unit will scan up to 1,000 points or "nodes" in about ten seconds, rapidly checking for continuity between them and indicating any connections found. Alternatively, for simple cable testing it will check for continuity between adjacent pairs of test points and for isolation from all others.

For complex, specific interconnection pattern testing, the equipment has a memory in which it stores the data from a known good circuit. The test will then show up any deviations from the norm on each production unit.

A voltage test level of 150 mV is used so that semiconductors on boards will not be turned on and interfere with the tests. Other (passive) components with resistance values of more than a few ohms can be accepted as a "pass" when checking for short circuit conditions. Alternatively, intermediate levels of less than 1,500 ohms will be detected and can indicate a "fail" when cable continuity is being checked.

Test sequence is halted at each detected fault and the relevant data displayed. With an optional printer, the whole test is completed and only the fault data printed.

The company estimates that the world PCB testing market is now running at about £60m./annum and in its first year of operation is aiming at £1m. of sales. In its basic form the AT1000 will sell for under £2,000. 01-500 1000.

● DATA PROCESSING

Room calls accurately billed

BASED ON its Tiger (Telephone Information Gathering for Evaluation and Review) system, Minster Automation has developed a new hotel version which provides a simple approach to hotel telephone accounting.

Hotel Tiger is a complete solution to the problems encountered in many hotels where reliance is often placed on mechanical systems to provide information on telephone usage. Such methods are often inaccurate, and if an hotel cannot identify precise telephone details and costs its profits may suffer. With particular application in hotels which allow guests to make their own telephone calls, facilities range from simple automatic call docketing to telephone call accounting systems integrated into computerised front office operations.

It automatically records for each telephone call, the room oumber, the time the call commenced, the number dialled, the time the call was completed and the hotel charge for each call made. From this information, it produces both daily and on demand records in room number sequence with details of every call made and the total cost to the guest. From these records guest accounts can be regularly posted. More on 01-680 1977.

Baric will provide the terminal

BARIC Computing Services, jointly owned by International Compnters and Barclays Bank, has launched Datacare, the "complete computer service."

Datacare is a remote batch online bureau service which is taking Baric into the hardware business for the first time so that it will supply any intelligent terminals required as part of the complete package. The terminals recommended by Baric for the service are the ICL 1500 range of intelligent units.

An important aspect of Datacare is that it "keeps everything in the family." The hardware is from ICL, the software and processing are by Baric, and finance, if required, can be arranged through Barclays.

At the Press launch of Datacare, Mr. Peter Holland, managing director of Baric, forecast that in a very few years' time iotelligent terminals will become almost as commonplace equipment in business systems as the typewriter.

"Computer service bureaux bave a clear role to play in this trend in that they provide the hig romputing power which intelligent terminals lack. By combining the two the user gets the best of both worlds," he said.

Baric thus becomes the fourth major bureau to offer users a terminal on which to assess a central service. Centrefile, Computel and more recently UCC have launched out into this form of operation.

Adjusts the spacing

LOGABAX has launchad what is believed to be the first matrix printer capable of prodncing proportionally spacad output and right margin justification.

The modification, available with both the LX180 and LX80 printers, involves the replacement of the standard Logabax printer control circuit by a microprocessor-based control system developed in Britain. It will operate in both upper and lower case, and the margin justification can be achieved either by adjusting the space betwaen individual characters of between words.

With the new Logabax nine-needle development this will, for the first time, make matrix printers ideal for word processing, publishing and printing industry applications currently dominated by daisy wbeel and non-impact printers.

Production of multiple copies and a rated speed of 120 characters per second for tha highest quality output rising to 250 cps if quality standards are relaxed, are the two advantages which the matrix printers will offer over other types more traditionally associated with this market.

The microprocessor method used to produce the proportional spacing facility also enables individual characters of any width to be printed. The matrix printing of Arabic script, such as Farsi in which tha length of individnal characters varies widely, thus becomes nossible.

Logabax House, 1-7, Wesley Avenue, Acton Lane, Harlesden, London, NW10 7BZ. 01-965 0061.

CONTRACTS AND TENDERS

هكذا من الأصل

HOME NEWS

More cuts in police and fire services will be inevitable'

Y DAVID CHURCHILL, LABOUR STAFF

DEPARTMENT of the ronment bas warned local orities and unions that ier cuts in police, fire, and il services will be inevitable he next financial year, in of the authorities' strict rol on spending.

ie warning is contained in emorandum prepared by the artment as a besis for its otiations with the local iorities end trade unions on annual Rate Support Grant lement, due to be announced t month.

he memorandum points out even on the most optimistic cast of council spending—it ects councils to overspend by over 1½ per cent. in 1978-79 iere will still need to be man- er reductions to achieve Government's expenditure gets laid down in last ruery's White Paper.

Officials have reported that would require such asures as freezing police cer manpower at its present el, reducing the strength of fire service, and reducing the nber of school crossing rols," tha memorendum tes.

In personal social services, it ls: "It will be difficult to id some deterioration in ndards in certein types of vices and in certain areas."

The memorandum is seen as stern warning to the public vice unions, who begin their nual pay negotiations to-day. d local authorities, that in ite of the improved economic uation the Government is termined to maintain its tight ntrol on public expenditure.

It also comes as Government inisters begin a series of eetings with the local authority sociations end unions on the ape and extent of central vernment support for local hlic services in the next finan- al year.

The local euthorities fear that the Government may impose another small cut in its present 61 per cent. contribution to relevant expeoditure and this will be one of the central issues et next Friday's meeting between the local authority associetions end Mr. Pater Shore, Environment Secretary.

The Department'a memorandum also analyses in detail the possible effect of financial restraint on various areas of locel euthority activity.

Home Office Services: Because of the manpower-intensive neture of these services (such as police and fire), and since there is now ao scope for transferring money from the capital programme, "expenditure could be contained within the White Paper levels only by manpower reductions."

But the Department acknowledges the difficulties of this because of the "fundamental law and order and public protection functions" of these services.

Social Services: It is planned thet spending on personal social services should increase in 1978-1979 by just over 2 per cent. Bnt even so, the memorandum warns of a deterioration in standerds of aervices.

Transport: "Provision for local transport current expenditure is 4.5 per cent. lower in 1978-79 than in 1977-78; when capital expenditure ia included, the drop envisaged is 7.5 per cent."

The memorandum points out that as local authorities beve already decided to give bigher support to bus subsidies, savings will bave to be lound in road maintenance and adm nistration.

Edncation: The memorandum suggests that local authority expenditure on ednication in 1978-79 is "more or less on target." This is expected to mean a loss of about 4,000 teaching jobs.

British Caledonian's new service heavily booked

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH CALEDONIAN Airways has already received a large number of bookings for its new daily non-stop service between Gatwick, London, and Houston, Texas, which starts to-day, using Boeing 707a initially.

The airline said over the week-end that more than 2,500 passengers had booked seats for travel in the last two months of this year, and the ronte's prospects "eppeered to be excellent," with 69,000 passengers expected in the first year. Most of these will be high-yield business travellers.

British Caledonian was awarded the ronte under the recently-signed Anglo-U.S. Bermuda Air Agreement. Until the autumn of 1980, it will be the only airline euthorised by the U.K. and U.S. Governments to operate non-stop passenger services on the London-Houston route.

In 1980, however, the U.S. will be allowed to license one of its own airlines to fly on the ronte in competition with British Caledonian.

This week, the airline is also atarting e new all-cargo service between Houston, Prestwick and London. Called Texa-Cargo, the service will be once-weekly initially, offering shippers 39.5 tonnes of capacity on an all-cargo 707 jet.

The services, both passengers and cargo, are designed to benefit companies linking the oil centres of Texas and the North Sea, with links to other world oil centres also served by British Caledonian, includ- ing Nigeria, Libya and Algeria.

Leyland scores at Earls Court

FINANCIAL TIMES REPORTER

BRITISH LEYLAND distributors have dona £600,000 of new business in more than 80 models in the first three days of the Earls Court Motorfair, and hope for a further £2m. by the time it closes on October 30.

The new Rovers, the 2300 and 2600, had attracted their fair share of business, the distributors said yesterday. But orders bad been received "right across the board," from the Mini to the Jaguar and Daimler.

Comparisons between Motorfair orders and the level of business normally generated at the Motor Show. Motorfair's predecessor, are difficult because of the different nature of the two shows.

Motorfair is organised by distributors, so that e new business figure of £2.6m. represents bard orders, including deposits. The Motor Sbow was manned by manufacturers, who funnelled inquiries about models back to distributors.

An order for 1,000 Leyland cars, worth £4.5m. was placed by Henlys Lease, the car leasing and self-drive subsidiary of Henlys, it was announced at the London Motorfair.

Most of the cars, ranging from Minis to Jaguars and including the letest Rover 2300 and 2600 Executive saloons, will be leased from Henlys by concerns operating larga company fleets. The remainder will expand Henlys' self-drive hire fecilities.

Meantime, Ford of Britain bas just shipped its first "squeezed" Cortina to Japen. A two-litre "S" two-door seloon, it will be at the Tokyo Motor Show next month.

Like ell Japan-bound Cortinas, his model bas been "squeezed" 7 mm (less than helf an inch) on the Dagenbam essembly line to bring it witbin a vital Japanese width-tax category. Cars over 1700 mm wide are lieble in Japan to an extra £105 sales tax and £84 a year more road tax.

Sainsbury seeks more sites in North

By Christopher Dunn

J. SAINSBURY, the food retailing concern with sales last year of £864m., plans to open supermarkets in 16 Northern towns as part of a push northward, the biggest concentrated programme of expansion it has undertaken.

Medium-sized stores with e sales area up to 15,000 square feet are planned for both town centres and edge of towns. They will be built south of a line between Lancaster and York, in towns such as Leeds, Liverpool, Bleckpool, Prestoo, Bolton end Bury.

Sainsbury bas been extending its trading erea in the North slowly for some years, and already has stores as fer north as Doncaster and Sheffield pert of the chain of 182 supermarkets concentrated mainly in the South and the Midlends.

The 225,000 square feet planned addition in the North to the sales area compares with en increase in 1976/77 of 190,000 square feet.

The total sales area of the retail chain is 2.3m. square feet. The everage store size is 12,700 square feet.

Sainsbury is involved in a joint hypermarket venture with British Home Stores.

The search for sites for the new stores is being leunched through an advertising campaign asking anyone with land available to get in touch with Sainsbury

Talks breakthrough in British Oxygen dispute

FINANCIAL TIMES REPORTER

PEACE HOPES in the crippling British Oxygen disputa rose last night when both sides agreed to meet.

The company's management and senior union officiels will go to the Advisory, Conciliation and Arbitration Service in London to-day for informal talks.

It will be the first time they have met since the unofficial pay strike by 3,000 workers in the company's gases division started two weeks ego.

ACAS made an epproach on October 14 and has kept in touch with both sides separately since, but has not until now managed to get them together. ACAS hopes to get the men back to work before negotiations for settling the dispute get under way.

The strike by workers who include cylinder fillers and handlers and drivers, made more than 10,000 idle throughout industry. In particular, shipyards have been severely hit. Unless an agreement is hammered out, the situation is expected to deteriorate this week.

Workers involved are members of the Transport and General Workers and General and Municipel Workers.

The men are claiming a £20 a week rise—about 30 per cent., while the company has offered 10 per cent. in line with Government wishes, and a productivity scheme which could give a further 5 per cent.

Mr. Graham Winfield, British Oxygen Gases Division chief executive has warned that tba stoppage could jeopardise the company's planned £40m. investment programme.

Meanwhile, a revival of old shipbuilding skills is helping Tyne ship-repair yards fight the worst effects of the strike, which has curtailed oxygen and cutting-gas supplies.

Without these essential metal-cutting, trimming and welding gases, the six nationalised repair yards on the Tyne might have been completely closed, leaving 10 half-repaired ships and 10 dissatisfied customers. Already 506 men will heve been laid off by to-night.

Meriden sells output to April

MERIDEN Motor-Cycle Co-operative has sold all its output until next April, helped by assistance in key management areas by top-level GEC experts.

Although it has been dogged by suppliers' strikes since winning independence from NVT nearly a year ago, the co-operative has pushed production to a new peak of 309 machines a week.

Labour insurance policy attacked by companies

BY RAY PERMAN

RITAIN'S seven largest insurance groups, bave hit back at he Labour Party's policy on ationalisation and direction of nvestment, asserting that it ails to appreciate their responsibilities to savers and ignores heir contribution to the economy.

Unlike the clearing banks, who vere also named by the Labour National Executive Committee, he insurance companies have not conducted an open political campaign against the proposals.

To date their advertising has stressed only the benefits brought by insurance. But in a 23-page booklet now being circulated, the policy is answered in detail.

The booklet has been produced by the seven insurence groups—Commercial Union, General Accident, Guerdian Royal Exchange, Legal and General, the Prudential, the Royal Insurance Company and Sun Alliance.

Although it deals with nationalisation, most of the argument concerns direction of investment, which companies see as the more dangerous of the two threats.

Labour policy was contained in a statement, on banking and finance, adopted at the 1976 conference. Although the Prime Minister bas rejected nationalisation of major financial institutions as an "electoral albatross" control and direction of investment was proposed by the Labour Party in its evidence to the Wilson Committee.

The booklet disputes the Labour Executive's diagnosis that lack of investment is at the heart of Britain's economic difficulty and that there is a shortage of institutional funds evailable to industry.

Rether, it says, there is a shortage of demand from industry for investment finance.

"The insurance compan'es have consistently provided industry with the finance which it bas sought. In 1976, more than £9.5bn. of their total U.K. funds of £28bn. were invested in commerce end industry."

The booklet adds that the Labour executive chose to ignore that insurance was Britain's biggest single net invisibla export, earning £740m. last yaar.

APPOINTMENTS

New International Distillers posts

INTERNATIONAL DISTILLERS AND VINTNERS. The following eppointments are from November 1. Mr. R. M. J. Burr, at present managing director, IDV Europe, will take on a new appointment as director of corporate planning with specific responsibilities for the development of the company's business internationally. Mr. G. J. Bull, at present managing director, IDV Home Trade, will be appointed managing director, IDV Europe. Mr. Bull will also assume the non-executive position of chairman of IDV Home Trade. Mr. T. F. J. Ambler will succeed Mr. Bull as managing director of IDV Home Trade, joining the main IDV Board. Mr. J. S. Espey, group marketing director, will also join the main IDV Board.

*

Mr. Richard Wright bas been appointed chairman of BRITISH MAIZE REFINERS ASSOCIATION. Mr. Bernard Smartt was elected daputy chairmen. Mr. Wright is commercial director of Garton Sons and Co.

*

Mr. Frederick N. Tucker bas joined BANKERS TRUST COMPANY, London, as a specialist in ECGD finance. Mr. Tucker was formerly general manager for special end export finance at Grindlays Bank and general maneger at Grindlays Finance Corporation.

*

Mr. Melcolm Bessant, divisional manager, and Mr. Jack Thirkell, sales menager, here been appointed to the Board of BESTOBELL INSULATION, a member company of tha Bestobell Group.

*

Mr. Hilton Elliott bas been appointed a director of ELLIS MECHANICAL SERVICES (INTERNATIONAL) and is responsible for the company's operation in Qater and Saudi Arabia.

*

Mr. Vincent Manze has joined the Board of LYONS MAID as personnel director after working as personnel manager for tha health and chemical division of Cadbury Schweppes.

*

BRENTNALL BEARD (HOLDINGS), insurance brokers, have appointed Mr. Ara Mertyrossian to the Board of their life and pensions company.

*

Mr. Gordon Watson has been appointed to the Board of B.A.T. (U.K. AND EXPORT).

*

Mr. Malcolm Allen has been appointed a manager of the London branch of BANCO TOTTA AND ACORES.

Building and Civil Engineering

£16m. Dubai soccer facilities

THE overseas practice of U.K. architects Scott Brownrigg and Turner, SBT Middle East, in association with APC International (Middle East) have been commissioned to design four football stadia in Dubai, United Arab Emirates. Three of the stadia are already under construction.

Preparation of the initial feasibility study was carried out by APC International in the U.K. and some of the detailed design work has also been undertaken by Scott, Brownrigg and Turner in this country.

One of the stadia is within the grounds of the old Al Nasr Club, adjacent to the Leisure Centre which SBT Middle East has also designed. A second stadium is at Al Abali, on the Deira side of Dubai, a third at Al Wasl, and the fourth, to be started soon, is at Al Shabab.

Each stadium will have a clubhouse and seating for 12,000 spectators and floodlighting while a seven-lane 400 metres athletics track will surround each pitch. Completion is expected in 1978 at a total cost of about £16m.

Houses in Lancashire

HOUSING IN Lancashire figures mainly among the latest contracts awarded to T. Partington and Son (Builders).

Already under way are contracts for the Guinness Trust at Newbold, Rochdale (£1.5m.) and for Oldham Metropolitan Borough Council at Freehold (£309,946) and Washbrook (£831,139).

The second stage of a housing programme for Tameside Metropolitan Borough Council has just started (£1.1m.) and Partington is also one of six contractors undertaking improvement of acquired properties for Manchester City Council. Its initial share of the first programme (40 houses) is valued at £250,000.

The company is also building 117 houses and bungalows for private sale at Astley Park, Chorley, and will shortly start on a further 70 at Clayton Brook, while at Manchester Airport it is constructing a vehicle park for Shell U.K.

Newcastle Metro award

CHARLES BRAND and Son, a member of the French Kier Group, has been awarded a contract worth £2m. by the Tyne and Wear Passenger Transport Executive for the construction of the Metro interchange at Central Station, Newcastle.

Work on the site is expected to start early next year, once the contract for the dismantling of the existing British Rail station portico has been completed.

First stage of the contract is for the construction of subways and an inclined cast iron lined tunnel which will form an escalator tunnel to the underground platforms. The second phase covers the building of a ticket hall and machine rooms. The contract also includes the electrical, mechanical and finishing works.

Nearly £6m. for Gleeson

IN NOVEMBER, M. J. Gleeson (Contractors) will start on a £1.9m. housing contract in Tamworth Road, Croydon, for the London Borough of Croydon. This is one of the larger of several contracts and brings the total value to nearly £6m.

The Croydon job entails erection of houses and flats and car parks and is expected to take two years to complete.

Gleeson Civil Engineering has been awarded three contracts worth a total of about £3.7m. One of these, from the Northumbrian Water Authority is for the construction of Airy Holm Dam which is part of the transfer works in the Kielder water scheme.

The dam will form a small reservoir with a storage capacity of 44m. gallons and will feed the main aqueduct tunnels which will carry water, released from Kielder reservoir, to the rivers Wear and Tees. When completed the dam will be 360 metres long with a height in the centre of 15 metres.

Another contract, worth over £2.1m. is from the North West Water Authority for the construction of the Martholme Sewage Works (phase III). Work is now starting on this.

Further contracts are from the Newcastle and Gateshead Water Company for the construction of the Blackhouse and Hedgeley Reservoirs (£250,000) and from Dixons Photographic (Investments) for a warehouse at Mossborough, Sheffield (£250,000).

Three jobs for Sir A. McAlpine

SIR ALFRED McALPINE AND SON (SOUTHERN) has been awarded three contracts, together worth just over £1.1m.

One, awarded by the South Western Postal Region, Bristol, and worth around £713,000, is for construction of a single-storey motor transport workshop building, two-storey administration building and sorting office extensions at Bonhay Road, Exeter.

Another job, valued at some £230,000, and to be carried out for Young's Seafoods, is for construction of a single-storey, steel-framed, refrigerated cold store/distribution depot, with attached single-storey office block plus external pavings, at Lincoln Road, High Wycombe, Bucks.

The third contract has been awarded by Automatic Pressings of Halesfield, Telford, Salop, and, worth around £220,000, is for the design and construction of a steel-framed building, clad in asbestos and steel sheeting.

Awards to Ernest Ireland

CONTRACTS WORTH over £1m. have been won by Ernest Ireland Construction (Mowlem group). Work has already begun on a £367,000 contract for a production line and warehouse for Schweppes at Bristol.

Another contract, worth £205,000, has been awarded by Bowyers for the construction of a single storey abattoir at Amersham, Bucks., while further awards are by Grand Metropolitan Hotels for two warehouse units with integral single-storey offices at Fishponds, Bristol (£110,000), by South Western Trustee Savings Bank for alterations at Silver Street, Trowbridge, Wilts., and by Bristol Waterworks Company for repair works at the Victoria Reservoir at Clifton, Bristol.

Harbour deepening project in Australia

BOTH the harbour and the approach channel to the Australian coal and iron ore port of Newcastle, New South Wales, are to be deepened under a contract reported to be worth about £42m.

The contract has been awarded by the Maritime Services Board of New South Wales to Westham Dredging (Pty) of Australia which is jointly owned by HAM Dredging (Hollandsche Beton Groep) and Westminster Dredging Group (Bos Kalis).

Involved in this big task is the dredging of 10m. cubic metres of material. Of this about one fifth will be rock, some of which will have to be blasted. Westham is doing the job on its own over the next four years.

£7½m. hotel in Saudi Arabia

HIGGS and Hill Saudia has been awarded a £7½m. contract for the construction of the foundations and superstructure of the Holiday Inn Hotel in Jeddah, Saudi Arabia, for Arabian Hotel and Catering Company. The new hotel will have 486 bedrooms.

Consulting engineers for the project are Maurice Baguley and Partners International and the quantity surveyors are Murdock Green Partnership.

Factory and police station

JOHN LAING has started building a £1.5m. factory at Runcorn, Cheshire. The work is being carried out for Runcorn Y K K Fasteners (U.K.).

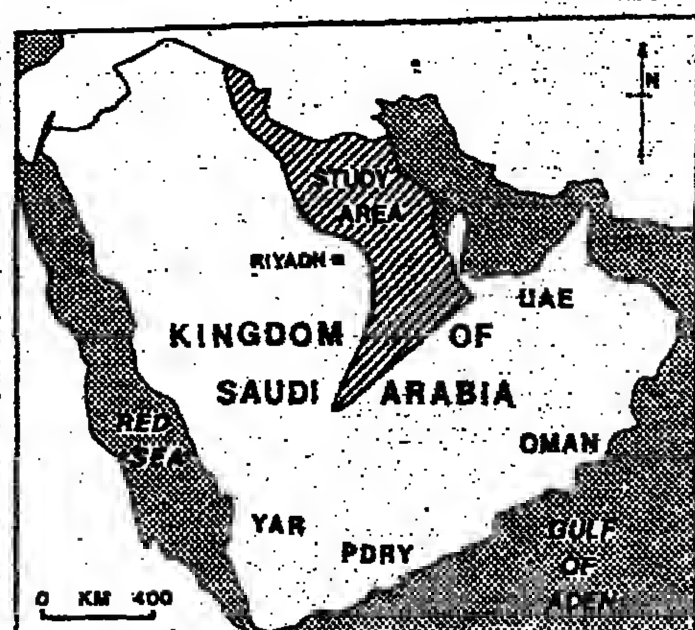
Due for completion next spring, the contract includes the erection of a single-storey 79,600 square feet steel-framed factory unit. The structure will have reinforced concrete foundations and ground slab, steel frame with profiled metal cladding on the exterior and faced block internal walls.

Not far away, John Laing has been awarded a £962,000 contract to convert a 112,000 square feet 11-storey office block into a new headquarters building for the Greater Manchester Police Authority.

Chester House, in Boyer Street, Stretford, was originally built as a speculative office development but has been chosen by the Greater Manchester City Council as the ideal building for the first phase in the establishment of a new police headquarters.

The contract involves converting the ground floor of the podium-type building into further office space and alterations at all levels to provide specialised office, and record filing facilities as well as a dining room, officers' mess, recreation room, and basement garage.

£4¾m. Middle East land surveys



HUNTING SURVEYS has been retained to carry out a large project involving air photography, land survey, mapping and the production of photo-mosaics in extensive areas of the Eastern Province of Saudi Arabia.

The contract value is about £3¼m. and has been awarded with the approval of the Saudi Ministry of Agriculture and Water, by Groundwater Development Consultants (International) which is undertaking a £23m. agricultural development project known as the Umm Er Radhuma Study. Purpose of the study is to evaluate the land and water resources of the Eastern Region and to investigate the potential for irrigated agriculture in the area.

Hunting Survey's first task will be to prepare photo-mosaics of the entire study area of some 330,000 square km (larger than the land area of the British Isles including the Irish Republic) from existing small-scale photography. The company will undertake new medium-scale air photography of some 15,000 square km covering potentially arable areas identified by the consultants and requiring semi-detailed survey.

From this photography, 1:50,000 scale line maps will be prepared with contours at 5 metre vertical intervals in the company's U.K. laboratories.

The consultants will further narrow the areas of interest to some 20 potential development tracts totalling about 500 square km. Hunting will map these at 1:10,000 scale with contouring at 0.2 metre vertical interval.

This work which has already started, is expected to last 32 months and will involve up to 20 expatriate land surveyors at a time in five different parties, and purchases in the U.K. of new Land Rovers, supply trucks and large amounts of survey, camping and radio equipment.

One of the company's HS-104 survey aircraft will be based in the area to undertake the new photography required and its U.K. departments, employing some 200 staff, will be extensively engaged in photogrammetry, cartographic drawing, computing and photographic work for a considerable period.

Another Hunting company has won a £1½m. contract from the Ministry of Petroleum and Mineral Resources of the United Arab Emirates.

This follows an earlier survey by the company of the six Northern Emirates which resulted in the location of deposits of copper, chromite and industrial minerals.

The latest investigations will involve detailed geological mapping, geochemistry, ground geophysics, drilling, trenching and associated work. Part of the work programme is the investigation of radioactivity in the Al Ain area.

The company, Hunting Geology and Geophysics, will also undertake a helicopter-borne geophysical survey using electromagnetic methods to help delineate known mineralisation and aid in the location of new areas of interest. A significant part of the task will be to prepare a revised geological map series of the whole of the Emirates.

Industrial minerals investigations will include the assessment of suitable materials for the development of industries based on gypsum, talc, rock-wool, calcium silicate bricks and ornamental and building stone.

IN BRIEF

● A contract worth about £430,000 has been awarded by English Industrial Estates Corporation to William Hall and Sons of Southport for eight advance factory units at Brook Road, Bootle, Lancs.

● North Bedfordshire Borough Council has placed a contract with A. Monk and Company, valued at £225,220 for the development of unit factories at Barkers Lane, Bedford.

● Three new warehouse units are to be built at Southall Lane, Heston, Middlesex, under a £360,000 contract awarded to Bovis Construction by Audley Properties.

● Marryat Jackson Norris, the U.K. mechanical and electrical services arm of Sime Darby, has secured a £392,000 contract for mechanical services in a new geriatric unit and in day care wards at Horsham Hospital, Sussex, for the South West Thames Regional Health Authority. The contract is due for completion in October, 1979.

● Alexander Hall and Son (Builders) (Aberdeen Construction Group) has been awarded a contract worth £275,835 by Grampian Regional Council for the erection of an Eventide Home at Dyce, Aberdeen.

● Small factories for Peterborough Development Corporation and hostels for Sheffield Regional Hospital Board, are among the latest contracts totalling nearly £780,000 awarded to FPA Finnegan.

● Ribble Valley Council is starting a large development at Clitheroe in Lancashire and has awarded the close on £1m. contract for the 84 homes required to Holland, Hannen and Cubitts (Northern).

ICI mater[ial] has succes[s] in France

ICI HAS made a major [break]through in France in the [use] of its Terram melded material for use by th[e] engineering industry on co[nstruc]tion sites.

Several hundred th[ousand] square metres of the mat[erial] a permeable membrane [which] protects surfaces unde[r] while allowing drainage t[o take] place—have been used a[t the] Arc Isere hydro-electric s[cheme] in Savoie, scheduled for c[omple]tion in 1980.

The work, which was s[tarted] in 1961 has entailed tunn[elling] for more than 25 kilometre[s and] constructing three rese[rvoirs] with a combined capacity o[f more] than 10m. cubic metres. T[he big]gest is the Bassin du F[...] near St. Pierre d'Allevard [which] will have a capacity of [...] cubic metres. Designed t[o feed] the turbines at the Cheylas [power] station nearby, it is sited [on the] bed of an ancient glacier c[...] to a depth of 30 metres wi[th] clay and peat.

Use of Terram, which is [made] at ICI's Pontypool wor[ks in] South Wales, has made [it pos]sible for engineers to ove[rcome] a variety of problems [...] claims. The material, o[btained by] fusing together a mat of [...]ponent fibres, has been u[sed in] structures to protect the [...] of the reservoir from eros[ion,] vertical drains within a [...] horizontal drainage layers [at the] foot of the dam, and in [...] 10 kilometres of access [roads] which have had to stand [...] continual punishment fro[m regu]lar use by 70-ton du[mpers]. Altogether about 200,000 [square] metres of Terram have be[en used] in this sector alone.

Several kilometres a[...] the Cheylas reservoir [...] quanities of Terram hav[e been] used as a separator betw[een] caissons. Initially, alterna[te cais]sons are built and their s[ides] lined with Terram bef[ore the] intermediate caissons a[re con]structed. Terram is als[o] used to protect the drain[s] beneath the caissons.

هكذا من الأصل

"I've spent my whole life building up the business.

For twenty six years, I've been slaving away day and night.

I've beaten my competitors into the ground.

I've won export orders against cut-throat salesmen from Germany and Japan.

I've had to expand the factory time after time.

Two nights ago, it was burnt down to the ground.

My customers can't afford to wait for me to rebuild, and I can't afford to keep my staff on.

My bank manager's advising me to pack it in and retire with what I've managed to save.

Why should I have to retire? I was doing a good job.

I was earning the country foreign exchange. I was the best employer in the district.

What have I done to deserve this?

Why me?"

If a factory is totally destroyed by fire, it isn't because the Managing Director sinned.

It's because he didn't take a simple precaution.

Installing automatic fire ventilation.

Fire ventilation is a dramatically effective way of keeping damage due to fire down to a minimum.

It isolates a fire as soon as it starts.

It allows heat, flames and explosive gases to escape harmlessly upwards, instead of spreading sideways to the rest of the factory.

It prevents heat from building up to the point where it buckles metal.

It prevents smoke from logging the factory, damaging equipment and raw materials, and obscuring the fire from the fire brigade.

In the morning the rest of the factory can carry on working as usual.

It won't have been touched by the fire.

And it won't have been doused by water.

Automatic fire ventilation costs very little.

A free survey by a Colt expert will show how little.

And with the Colt system, every fire vent doubles up as a natural vent, cooling the factory down on hot days, and giving workers fresh air.

Remember, with fire now costing Britain an estimated £1000 million a year in direct and consequential costs, it could all too easily happen. To you.

Colt International Ltd. (Heating, Ventilation & Access Systems), Havant, Hants. PO9 2LY. Havant 6411. Telex: 86219.

LABOUR NEWS

Miners to receive output plan details to-day

BY DAVID CHURCHILL, LABOUR STAFF

THE BULK of Britain's 260,000 miners will to-day receive details of the controversial productivity scheme on which they are due to vote later this week and which has so sharply exposed the bitter political divisions on the issue within their union, the National Union of Mineworkers.

Details of the scheme, which could give miners rises of £23.50 a week or more and take the heat out of their 90 per cent. basic pay rise claim, are included in copies of the union newspaper to be distributed to the coalfields to-day.

But there are fears that in some strong Left-wing areas of the union these copies may not be distributed and publicity against the scheme put in their place.

The union's national executive is considering taking out national newspaper advertisements to ensure all miners have a chance to see the executive's case for supporting the scheme.

Last week an attempt by Kent miners' leaders to have this week's pithead ballot legally banned was turned down in the courts. The union's Left-wing is opposing the scheme on the grounds that it will discourage unity.

A special edition of the Left-wing's Yorkshire Miner newspaper is also being distributed to Yorkshire's 66,000 miners before the ballot.

Mr. Arthur Scargill, president of the Yorkshire miners, yesterday accused the National Coal Board of "bombarding his miners with NCB propaganda."

Mr. Scargill warned management to "keep their noses out of NUM affairs" and said the Yorkshire branch might walk out of joint negotiating machinery if management did not stop "interfering."

At two collieries in North Yorkshire, miners had threatened industrial action if the "propaganda" continued, he added. Mr. Scargill and the Yorkshire NUM are bitterly opposed to any productivity scheme and are campaigning hard for rejection.

The NCB has insisted that it has a duty to ensure employees are given the facts on the productivity offer. "We are not using propaganda, only factual explanations," it said.

● Nottinghamshire's 35,000 miners, in the second largest coalfield, were yesterday recommended to vote for the national incentive deal.

Branch officials and the council voted 2—1 in favour of the scheme for which Nottinghamshire has been campaigning for 11 years.

Teachers act on cuts in 1,700 schools

TEACHERS in more than 1,700 schools are taking industrial action against staffing cuts, according to figures issued by the National Union of Teachers to-day.

Members either refuse to teach oversize classes or fail to cover up for absent colleagues and staff vacancies, says the union.

The worst-hit education authorities are in Birmingham, Oxfordshire, Kent, Avon, Surrey, Warwickshire, Buckinghamshire, and the London Borough of Bexley.

Mr. Fred Jarvis, the N.U.T. general secretary, said that action would be stepped up if authorities spent money allocated for education on other things, or kept staffing standards low.

"Something must be done to stop the scandal of oversized classes existing alongside a growing pool of unemployed teachers and a reported underspending on education of up to £100m.", he said.

Without the industrial action, he added, staffing standards in many schools would be far worse.

Leyland probe

BRITISH LEYLAND yesterday promised to make a full investigation into allegations that up to £1m. worth of new car parts for obsolete models had been destroyed at its plant at Speke.

Demands for an inquiry came yesterday from Mr. Eddie Loyden, a Liverpool Labour MP, who said he would raise the issue with Mr. Eric Varley, Industry Secretary.

Last night a shop steward at the plant, Mr. Frank Banton, of the Transport and General Workers, said the union would also carry out an inquiry.

Callaghan promises co-operative agency

BY OUR LABOUR STAFF

The Government is to introduce legislation to boost the development of co-operative enterprises, the Prime Minister announced over the week-end.

Mr. Callaghan chose the 60th anniversary rally in London of the Co-operative Movement to announce the Government's intention of setting up a Co-operative Development Agency.

The move was recommended by a working group whose report was published last week. The Prime Minister said legislation would be introduced as soon as Parliamentary time became available.

Initial talks with the Liberals had given him grounds for hope that they would be willing to give support.

Mr. Callaghan said examples of co-operative housing agencies, agricultural and horticultural co-operation, and co-operation in fishing and the credit union league all combined to indicate increasing interest in this method of organisation.

"It is our strong view that successfully organised and conducted producer co-operatives and common ownership enterprises may offer a solution to the problem of encouraging all those who work in an enterprise in the pursuit of goals which should be complementary, but which too often are opposed."

There had been a mixed record in the experiments by some companies that were taken under. Mr. Callaghan remained convinced, however, of the role co-operatives could play in industrial management and job creation. They were "an alternative form of public ownership to which the Labour Movement sometimes paid insufficient attention."

Metro ban to continue

MORE THAN 1,000 busmen are to continue to boycott the £160m. Tyneside Metro scheme, in spite of being offered a new agreement safeguarding jobs.

They may also refuse to run extra bus services which will be needed when rail lines are closed early next year for conversion to electric track for the Metro.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

COMPANY MEETINGS—

[illegible]

BOARD MEETINGS—

Finals:

British Car Auction
Highland Distilleries
Holland Electronics
North Atlantic Securities

Interims:

[illegible]

DIVIDEND & INTEREST PAYMENTS—

[illegible]

TO-MORROW

COMPANY MEETINGS—

[illegible]

BOARD MEETINGS—

Finals:

British Sydney C.I.
[illegible]

WEDNESDAY, OCTOBER 26

COMPANY MEETINGS—

[illegible]

BOARD MEETINGS—

Finals:

[illegible]

Interims:

Francis Industries
Gill and Duffus
Hoskinsons
Imperial Cold Storage
Lesney Chemicals
[illegible]
Telephone Rentals
Trust Union

DIVIDEND & INTEREST PAYMENTS—

[illegible]

THURSDAY, OCTOBER 27

COMPANY MEETINGS—

[illegible]

BOARD MEETINGS—

Finals:

Bargess Products
[illegible]

Interims:

[illegible]

DIVIDEND & INTEREST PAYMENTS—

[illegible]

FRIDAY, OCTOBER 28

COMPANY MEETINGS—

[illegible]

BOARD MEETINGS—

Finals:

Hawarth (J.)

Interims:

Allebone and Sons
Clayton and Son
Geers Gross
Melville Dundas and Whitson
Scottish Ontario Investment
Solnk and Son

DIVIDEND & INTEREST PAYMENTS—

[illegible]

SATURDAY, OCTOBER 29

COMPANY MEETINGS—

[illegible]

DIVIDEND & INTEREST PAYMENTS—

[illegible]
Vincent (Harry) 3.22385p

SUNDAY, OCTOBER 30

DIVIDEND & INTEREST PAYMENTS—

Eastbourne 12¾pcBds. Red. 3/5/78 £[illegible]
Southern-Evans Db. 4pc

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	British Genius Exhibition (cl. Oct. 30)	Battersea Park, S.W.11
Current	Do-It-Yourself Exhibition (cl. Oct. 29)	Olympia
Current	Daily Express Motorfair (cl. Oct. 30)	Earls Court
Oct. [illegible]—27	Food Manufacture Exhibition and Conference	Royal Lancaster Hotel, W.2
Oct. 26—29	British Fashion Fair	Nat. Exbn. Centre, B'ham.
Oct. 27—Nov. 2	International Woodworking Industries Exhibition	Nat. Exbn. Centre, B'ham.
Oct. 30—Nov. 2	International Garden and Leisure Exhibition	Nat. Exbn. Centre, B'ham.
Oct. 31—Nov. 4	Intl. Plant Engineering and Maintenance Exbn.	Nat. Exhn. Centre, B'ham.
Nov. 1—4	Institute of Housing Exhibition and Conference	Metropole Centre, Brighton
Nov. 6—9	Furniture Preview Show	Olympia
Nov. 7—11	Electric Components Exhibition	U.S. Trade Center, W.1
Nov. 8—10	Computer Peripheral & Small Systems Ex. & Conf.	Wembley Conf. Centre
Nov. 10—20	Caravan Camping Holiday Show	Earls Court
Nov. 13—17	Int. Domestic and Contract Textiles Exbn.	Nat. Exbn. Centre, B'ham.
Nov. 15—18	Int. Exbn. for the Food and Allied Industries	Olympia
Nov. 16—25	International Building and Construction Exhibition	Nat. Exbn. Centre, B'ham
Nov. 22—25	Video '77 Exhibition and Conference	Heathrow Hotel
Nov. 23—24	Assoc. of Industrial Development Officers Exbn.	West Centre Hotel, S.W.6

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Oct. 28—Nov. 9	Tokyo Motor Show	Tokyo
Oct. 30—Nov. 5	Middle East Construction Exhibition	Dubai
Nov. 1—5	Electrical Engineering Exhibition	Berlin
Nov. 8—11	Int. Shoe Fitting & Trade Equipment Exhn.	Paris
Nov. 16—27	Pacific International Trade Fair	Lima
Nov. 17—23	International Hotel and Catering Exhibition	Basle
Nov. 22—25	International Trade Fair for Textiles	Frankfurt
Nov. 24—Dec. 4	International Building Exhibition	Paris

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Oct. 26	London Chamber of Commerce & Industry: The Anatomy of Product Liability Insurance	69, Cannon St., E.C.4
Oct. 26	Design and Industries Association: Design—The Missing Sales Factor	Purcell Room, S.E.1
Oct. 26—27	European Study Conferences: Int. Tax Planning For Companies operating overseas—Europe and the Middle East	Jersey
Oct. 27	Education for Business & Industry: Budgeting Management Time	Café Royal, W.1
Oct. 27	British Council of Productivity: Unfair Dismissal & Contracts of Employment	Metropole Hotel, W.2
Oct. 27	Graham and Trotman: Cutting Fuel Costs	London
Oct. 27	CBI: Export Finance—The Short End	Café Royal, W.1
Oct. 27—28	Institute of Personnel Management National Conference	Harrogate
Oct. 28—30	British Production & Inventory Control Society: European Technical Conference	Birmingham
Oct. 31—Nov. 1	Financial Times, International Chamber of Commerce European Business in World Development	Café Royal, W.1
Oct. 31—Nov. 1	Lloyd's of London Press: Financing International Trade	Royal Lancaster Hotel, W.2
Oct. 31—Nov. 3	Society of Motor Manufacturers and Traders: European Organisation for Quality Control Automotive Seminar	Hilton Hotel, W.1
Nov. 1	Marchmont: Tax Strategy for Companies	Inn on the Park, W.1
Nov. 1	Inbucon Group: National Policy and Pay Re-structuring	Dorchester Hotel, W.1
Nov. 1—2	Lenorfern: Cost Effective Print in Marketing	Inst. Marine Engineers, E.C.3
Nov. 2	Oyez: Company Pension Schemes	Inter-Continental Htl., W.1
Nov. 2	Society of Pension Consultants: The Problems of Pension Schemes	Inter-Continental Hotel, W.1
Nov. 8	Stanford Research Institute: Decision Analysis	Grosvenor House, W.1
Nov. 8	Institute of Grocery Distribution: Energy—A Diminishing Asset	Charing Cross Hotel, W.C.2
Nov. 8—10	The Review: Arab Insurance Conference '77	New London Conf. Cen., W.C.2
Nov. 9	Institute of Measurement and Control: The Measurement of Performance in Industry	London
Nov. 9	British Institute of Management: Effective Business Travel	Manchester
Nov. 9	CBMPE (Council of British Manufacturers of Petroleum Equipment): Bringing the Oil and Gas Ashore in 1978 and Onwards	Café Royal, W.1
Nov. 10	Association of Certified Accountants: Financial Modelling in Industry	Great Eastern Hotel, E.C.2
Nov. 10—11	World Trade Institute: Finance of Exports	World Trade Centre, E.1
Nov. 13—18	Henley Administrative Staff College and Inbucon/AIC: Employment Policies & Human Resources	South Croydon
Nov. 14—17	Institute of Acoustics: The Growing Problem of Noise and its Effect on the Environment	Wembley Conf. Centre
Nov. 15—16	AMR International: Project Financing	Hyde Park Hotel, S.W.1
Nov. 16	Henley Centre for Forecasting: The Outlook for the U.K. Economy for 1978	Carlton Tower Hotel, S.W.1
Nov. 18	Institute of Credit Management: Export and Its Credit Risk	Bloomsbury Cntre. Htl., W.C.1
Nov. 23—24	Online: Small Business Systems	Regent Centre Hotel, W.1
Nov. 23—24	Financial Times: Price Policy and the Role of the Price Commission	Royal Lancaster Hotel, W.2
Nov. 24	British Council of Productivity: Added Value Panacea or Long Term Solution	Hilton Hotel, W.1
Nov. 24	Construction Activity Research: Construction Activity at the Crossroads	Churchill Hotel, W.1

APPOINTMENTS

APPOINTMENTS WANTED

PUBLIC NOTICES

DOCK WORK REGULATION ACT 1976

NEW DOCK LABOUR SCHEME

The Secretary of State for Employment published notice on 30th August, 1977, that he had prepared a draft of a new Dock Labour Scheme to replace the Dock Workers Employment Scheme 1967 in pursuance of Section 4(1)(a) of the Dock Work Regulation Act 1976. Interested persons are reminded that any representations about the draft should be made in writing and sent to:—

The Secretary of State,
Department of Employment (IR B1),
8 St. James's Square,
London SW1

not later than 11 November, 1977. Copies of the draft of the new Scheme may be obtained from the Department of Employment at the above address.

(Telephone 01-214 6126).

LEGAL NOTICES

No. 003341 of 1977

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of MUDIE'S CATERERS LIMITED and in the Matter of the Companies Act, 1948.

NOTICE IS HEREBY GIVEN that a Petition for the winding up of the above-named Company by the High Court of Justice was on the 18th day of October, 1977, presented to the said Court by The Department of Health and Social Security of State House, High Holborn, London, W.C.1, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, W.C.2, on the 21st day of November, 1977, and any creditor or contributory of the said Company desirous to support or oppose the making of an order on the said Petition may appear at the time of hearing in person or by his Counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

M. W. M. OSMOND,
State House,
High Holborn,
London W.C.1.

Note.—Any person who intends to appear on the hearing of the said Petition must serve on or send by post to the above-named, notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their solicitor (if any), and must be served or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 18th day of November, 1977.

IN THE MATTER OF THE COMPANIES ACT, 1948
and
IN THE MATTER of GABUILD LIMITED

Registered Office: 33 Cliffords Inn, Fetter Lane, London, EC4A 1AH.

NOTICE IS HEREBY GIVEN pursuant to Section 293 of the Companies Act, 1948, that a MEETING of the CREDITORS of the above named Company will be held at 33 Cliffords Inn, Fetter Lane, London, EC4A 1AH, on Thursday, 24th November, 1977 at 11.00 a.m. for the purposes mentioned in Section 294 et seq of the said Act.

DATED this 17th day of October, 1977.

By Order of the Board
R. TERRY, Director.

First Union General Investment Trust Limited

(Incorporated in the Republic of South Africa)

DIVIDEND POLICY AND SPECIAL DIVIDEND ANNOUNCEMENT

As a consequence of the acquisition of control by the Guardian Liberty Life Group, it will be necessary, in terms of the requirements of the Companies Act 1973, to change the financial year-end of First Union General Investment Trust Limited (FUGIT) to 31 December, which in the future will involve the declaration of interim dividends in June each year, payable in July, with final dividends declared in December, payable in the January following. For the current financial period of six months from 1 July, 1977 to 31 December 1977, only one dividend of the order of 3 cents will be declared, apart from the proposed special dividend hereinafter mentioned.

In view of the fact that FUGIT is now constituted as a direct subsidiary of Liberty Life Association of Africa Limited and, for this reason, the separate retention of substantial cash resources is now no longer considered necessary, the board of FUGIT have decided that a special non-recurring dividend of 5 cents per share be paid to shareholders on or about 28 November, 1977 out of retained profits in previous financial years. The purpose of the special dividend is to mark the 20th anniversary of FUGIT and with the objective of distributing FUGIT's excess cash resources to more efficiently gear its potential on a lower net asset base.

Notwithstanding the declaration of the special dividend as contained herein, the FUGIT board have agreed a policy of a more liberal distribution of dividends than has heretofore been followed. Subject to no unforeseen circumstances developing during 1978, it is anticipated that a total dividend of the order of 6 cents per share will be paid in respect of the financial year ending 31 December, 1978, based on an interim dividend of approximately 3 cents per share which will be declared in June 1978, payable in July 1978, and a final dividend of not less than 3 cents per share to be declared in December 1978, payable at the end of the January following.

DECLARATION OF SPECIAL ORDINARY DIVIDEND NO. 33

Notice is hereby given that a special dividend No. 33, of 5 cents per ordinary share has been declared out of retained profits at June 1977, payable to ordinary shareholders registered in the books of the company at the close of business on Friday, 11 November, 1977. The ordinary share registers of the company will be closed from Saturday, 12 November, 1977 to Saturday, 19 November, 1977, both days inclusive.

The dividend has been declared in the currency of the Republic of South Africa, and cheques in payment thereof will be posted from the offices of the Johannesburg and United Kingdom transfer secretaries on or about 28 November, 1977. Cheques issued from the latter office will be drawn in the United Kingdom currency equivalent on 23 November, 1977 of the Rand value of the dividend payable (less appropriate taxes) except where shareholders concerned give written notice of their election to be paid in South African currency and such notice is received by the United Kingdom or Johannesburg transfer secretaries on or before 12 November, 1977.

On behalf of the Board
D. Gordon, Chairman
J. R. McAlpine, Director
Johannesburg
20 October 1977

Johannesburg Transfer Office:
Security Registrars (Proprietary) Limited,
Sixteenth Floor,
Nedfin Place,
Corner Simmonds and Kerk Street,
Johannesburg 2001
P.O. Box 9241 Johannesburg 2000

United Kingdom Transfer Office:
Charter Consolidated Limited,
Charter House,
Park Street,
P.O. Box 102,
Ashford, Kent
TN24 8EQ

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The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

EXECUTIVE HEALTH

BY DR. DAVID CARRICK

Women: a highly personal view

ANY EXPERIENCED writer knows that it is impossible to please every reader. Whereas some readers are only too ready to criticise, very few find the art of praising or voicing agreement an easy task: that is the way human nature works.

Not infrequently I have been taken to task for failing to write about women in the world of business; and a few writers have actually suggested that I do not like women! Now, whereas I consider the first plaint to be justifiable, the latter, I am most sorry to say, is singularly correct.

A major reason for avoiding the topic is a personal dislike for joining in publicity on a subject which has been overdone during the last few years and has produced ludicrous results—like the remarkable legislation that forces advertisers to avoid specifying sex (as well as origin and religion) and substituting neutral absurdities, such as "person" which is hardly better than calling a human a "thing." Unfortunately the result of the campaign and rulings is that a just desire to attempt to ensure equality of opportunity has tended to militate against the interests of the very gender it was designed to assist.

To suggest that men and women are exactly the same is, thank goodness, patently absurd on anatomical, physiological and psychological grounds. Quite evidently most men possess greater muscular power. On the other hand, women have greater stamina and are basically stronger as evidenced by their superior longevity and a notable ability to survive surgical operations far better than men.

As to intelligence, nobody could say that, taken all in all, any demonstrable difference exists; but only a fool or a bigot could claim that men and women are psychologically or emotionally identical . . . and life would be very dull if they were.

When one considers the problems faced by females because of their unique and essential role in nature, and the associated hormonal onslaughts to which they are subjected, one can hardly expect, far less deplore, their mercurial characteristics—which are charming under certain circumstances but infuriating to men in unromantic situations.

Whether or not a woman be an executive or a secretary (one of the most important and least appreciated roles in business), she may get married. She then suffers the stresses of work, travel and, at the end of the day, the travail of housework: strains few men could endure for long. If, as is quite natural she has children, she is faced with the fearful choice of being a complete mother or leaving her offspring to some other's care: an intolerable decision.

Maybe it is because of this that most firms have no career-structure or, at best, an apology for one, in the case of female employees, which is most discouraging and frustrating to the career-girl whose ambition may be withered before it is permitted to flower, with the result that much valuable talent is lost or dissipated.

Finally, reverting to the incontestable fact that the hormonal fires of woman are less docile than those in man, it has to be remembered that, periodically, women may suffer considerable pain and display mood-swings and depression: disabilities which may aggrieve the more physiologically stable male.

Thus, any man who has women working for or with him may expect some of them to be less efficient and more irritable for a few days each month. If he is sensible, he should not complain but rather remember that as, by and large, women tend to be more loyal and devoted to duty than men (as well as being more decorative), for the other 27 days, he is greatly in credit and should consider himself a most fortunate being.

. . . their superior longevity . . .

Variations on a prejudiced theme

MR. REG. PRENTICE MP, the former Labour cabinet minister who has now joined the Conservative party, last week accused industry of failing to take the initiative in tackling racial and sexual discrimination at work.

Mr. Prentice, who was speaking at a conference on discrimination in employment which was sponsored by the Federation of Personnel Services, said this was one of the main reasons why the introduction of such legislation as the Equal Pay Act, the Sex Discrimination Act and the Race Relations Act had been necessary.

But he went on to say that so much legislation had come cascading out of Westminster so quickly during the past few years. He added that sooner or later some kind of springcleaning operation would be necessary to simplify the new laws and iron out some of the faults that had been built into them as a result of over-hasty drafting.

At the same time it would be wrong for any industrialist to expect that anti-discrimination legislation would be repealed altogether. For discrimination on grounds of sex or race was not merely immoral, it was also "profoundly inefficient."

Britain would have to utilise the skills of the entire workforce in order to achieve the kind of living standards which people wanted and which already existed in certain foreign countries.

"Millions of women in this country are still working far below their ceiling," Mr. Prentice said. "And many black people are in jobs that are two or three notches down the ladder from those being done by white people of comparable ability.

"In the future the U.K. is going to need greater skills in all fields of employment and we simply cannot afford to discriminate against these sectors of the workforce."

Delegates at the conference were told that race and sex did not form the only grounds for discrimination in employment. Mr. David Hobman, the director of Age Concern, said there was a growing tendency for working men and women to be discriminated against on the basis of age. Yet "ageism," as he called it, was not against the law.

"The practice of age discrimination denies the opportunity for able men and women in their sixties and seventies to continue to work," he said. "Soon it will begin to bite into the fifties and forties, for in modern society, where does old age begin in the eyes of the young?"

Mr. Hobman said he even knew of one young graduate who had left university in 1975 and had been sacked by his company after only a year. This was not because his employers were dissatisfied with his work.

It was because the company wanted to give the job to a 1976 graduate whose academic training would be more up to date.

"Let us explode the myth about teaching old dogs new tricks," he said. "There is no known evidence to suggest that those in late middle age are any less able to learn than the young. In fact experiments have shown that although their immediate absorption may appear to be slower, their powers of retention are considerably greater. In far too many cases the young merely learn how to concentrate their knowledge for passing an examination—and then it is gone."

Mr. Hobman admitted that some older workers had disabilities but then so did some younger people. And a U.S. state commission on human rights survey, carried out in 1972, had shown that older workers were as able as younger ones, were just as productive and had equally good, if not better attendance records. Older people did not want or need any special privileges in employment. All they were asking for was equality of opportunity.

Some men and women in their sixties relished retirement. They welcomed changed responsibilities, lighter tasks and shorter hours. But it was no coincidence that the highest number of male suicides were found in the 65 to 68 age range.

Mr. Hobman said it would be naive and irresponsible to suggest that all older people had an inalienable right to go on working, regardless of whether they were blocking promotion and movement from below and of whether they were capable of maintaining key positions. Yet it was equally irresponsible to say that the answer to the problem was to remove the "old" from the scene altogether at the age of 70, 60 or, increasingly, at 50.

"I could give a catalogue of the ways in which a society that would shudder to be thought racially or sexually prejudiced, acts in precisely this way towards those who happen to have reached a quite arbitrary chronological date in their lives.

"Unreasonable and unrealistic policies which compel older workers to leave the workforce against their will, which discriminate against them because of their age, with no regard for their personal desires, abilities or circumstances, will always be counter-productive."

Sue Cameron

The managing director needs a £30,000 rise

BY NICHOLAS LESLIE

THE TOOLMAKERS' strike earlier this year at British Leyland highlighted a grievance about the way long periods of pay policy and general wage restraint had eroded the pay differentials between skilled and unskilled workers.

The erosion is not confined to that section of the working population, however, as a salary survey published last week clearly shows. The survey, published by Inbucon/AIC Management Consultants, pointed clearly to the fact that some executives had managed to break the Phase Two pay code. At the same time it illustrated how substantially the differentials between different levels of management had been eroded and how in some cases enormous increases in pay would be required fully to counter the effects of inflation over the past four years.

The survey embraced 580 companies and covered 7,098 executives, of whom 1,592 had director status. It shows, for example, that while the average gross salary of managing directors rose by 42.9 per cent in the four-year period to July 1, 1977—from £10,005 to £14,299—production controllers at the lower end of the executive pay scale saw a rise of 77.1 per cent in average salary from £3,133 to £5,547. As a result, the gross differential between the two narrowed from 3.2:1 to 2.5:1, a contraction of almost a fifth.

After tax, and taking a married man with two children as the example, the managing director's salary rose from £6,686 to £8,874 in the four years, while the production controller's expanded from £2,560 to £4,356. Thus, the differential fell from 2.61:1 to marginally over 2:1, a contraction of nearly 22 per cent.

Another example given is between managing directors and financial executives. The rise in the latter's gross salary from £4,695 to £7,763 represents a fall in the ratio with the managing director from 2.13:1 to 1.84:1, which is 13.5 per cent., while the net salary gain from £3,653 to £5,812 led to the ratio easing from 1.83:1 to 1.52:1, a decline of 16.5 per cent.

During the same four-year period the retail price index rose by 96 per cent. Thus, suggests Inbucon, if a managing director were to make good the erosion resulting from increased living costs he would need to get an average net salary of £13,105, which would gross up to £44,370.

Fringe benefits

Statistics illustrating the rewards given for varying levels of responsibility show that the differential between senior managers in small- and medium-sized companies compared with those in extremely big concerns is not very large. Managing directors come off best, but even so, with a median salary of £8,676 for such a position in a company with sales of less than £1m. comparing with a median of £26,000 for companies with sales of over £100m., the ratio is only just over 3 : 1.

For financial executives in companies of under £1m. sales the median is £5,375, while the same position in a company of £100m.-plus sales commands a median of £9,708. Cost accountants in a £1m to £3m. sales company get £4,219 and in a £100m.-plus company they receive £8,126.

The effect of legislation on fringe benefits is clearly shown with Top Hat pension schemes. Whereas just over a fifth of those surveyed received such a pension in 1975, only about 15 per cent. of the latest sample benefited by such a scheme. This illustrates how the increased cost of such pensions to the companies concerned, together with pay policy constraints on new schemes being introduced, have proved an effective brake.

In contrast, though, the introduction in the 1976 Finance Act of a penalty on low interest loans by companies to employees has not put a complete stop to their use. In 1976, 7.2 per cent. of those surveyed were given such a loan, but last year the figure rose to 9.7 per cent.

A feature about the distribution of low interest loans was that they were most concentrated among various categories of sales and marketing executives, ranging from 14.9 per cent. of them to 16.5 per cent. In the main, less than 10 per cent. of those surveyed in each category of executive received such loans.

Elsewhere in the fringe benefits field there were no surprising developments. Company cars remained the most widely offered benefit, with subsidised lunches and life assurance coming a close second and third. There was a continued decline in share option and purchase schemes.

Survey of Executive Salaries and Fringe Benefits, Inbucon/AIC Management Consultants, 197 Knightsbridge, London, S.W.7, price £50

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Curbing public expenditure

BESIDES taking a view about the size and content of the economic package the Chancellor will be announcing on Wednesday, Ministers have also been having to brace themselves for some politically sensitive decisions about the level of public expenditure which it would be desirable to plan for over the next few years. The need for these decisions would have arisen anyway at about this time of the year as part of the normal annual review of public expenditure programmes. But this year's exercise has been made somewhat more complicated by the loose ends which were left over from last year's review.

The reductions in the previously planned levels of public spending which the Government then made as part of the run up to the negotiation of the IMF loan were concentrated upon the two years up to April 1979. Ministers had neither the time nor the inclination to set about adjusting the figures for the two subsequent years which reflected the more optimistic assumptions underlying the previous year's review. However, many of these old spending programmes were published in an unadjusted form in this year's White Paper, with a warning against taking literally the sharp rise after April 1979 which some of them implied.

Resources

The issue has now re-surfaced. The Treasury proposal, which has emerged from the public expenditure survey committee at official level, is that after 1978-79 public spending should be allowed to grow in real terms again at about the rate of 2 per cent. a year. This would not be enough, however, to avoid the need for some significant reductions in the by now highly notional figures for 1979-80 and 1980-81. Departments have accordingly been asked to indicate how they would propose to make the necessary reductions. What is more, the Treasury is proposing that public expenditure should be permitted to increase by about 2 per cent. a year during a period when it is assuming that the gross domestic product may be growing rather more quickly, perhaps by as much as 3½-4 per cent. a year. The clear implication, therefore, is that, though a rise may again be possible in the volume of public spending, its share of national resources should continue to fall.

This prospect is one which is bound to raise strong feelings among members of a Labour Government. It strikes right into the heart of the debate about the respective roles of public and private expenditure in a "socially just society." It also raises issues which are currently being debated about how the apparent benefits of North Sea oil should best be used. The reductions in public spending which Ministers agonised over in 1975 and 1976 were ultimately designed to reduce the proportion of the gross domestic product which is taken by public expenditure (on the new definition) from about 46 per cent. in 1975-76 to about 42-43 per cent. in 1978-1979—or, if transfer payments are excluded, from about 26½ per cent. in 1975-76 to about 23-24 per cent. in 1978-79, which would be about the same level as in 1971-72. Not unnaturally, some Ministers are now urging that after a period of severe cutbacks public expenditure should be allowed to grow rather faster than the Treasury has proposed, at the least by enough to prevent any further decline in its overall share.

Looking ahead

These arguments, though understandable, would best be resisted. It is by no means certain that the economy will be growing as rapidly by the end of the 1970s and early 1980s as is now being postulated. Indeed, the scepticism aroused by the experience of medium-term forecasting and resource allocation in recent years was one of the factors which encouraged Ministers to refrain from looking further ahead than April 1979 this time last year. The introduction of cash limits and the use of the contingency reserve as an operational instrument may have improved public spending control in the short run. But, as we have seen many times before, it is much easier to stimulate an increase in public expenditure than to apply the brake, especially over that part which is undertaken by local authorities. Moreover, the quickest cutbacks are to be found in the area of capital spending which bears especially heavily on the construction industry, a sector to which the Chancellor is expected to offer some modest and belated redress this week.) Ministers would be wise to recall the warning they gave in this year's White Paper: an increase in social spending can only be allowed when we are sure of having achieved the economic growth to pay for it.

A softer line from Bangkok

THE MOST significant statement of policy to have emerged as yet from the military régime that seized power in Thailand on Thursday is its proclaimed intent to seek closer relations with the Communist States of Indo-China. The emphasis that the army leaders have put on this holds out a limited prospect of further steps towards détente in South-East Asia.

Mr. Thanin Kraivichien, the deposed Prime Minister, believed that any concessions to Vietnam, Laos and Cambodia would be seen as a sign of weakness that risked encouraging Communist subversion at home. This is a view increasingly out of line with the other members of the Association of South East Asian Nations (ASEAN). They share Mr. Thanin's determination to stamp out Communist movements within their territories but most seek to match this by warmer ties with Hanoi. It is also a view that is losing favour in the U.S. and Japan—important friends of Thailand but which see political and economic gains to be had from cultivating both the Communist and non-Communist States of South-East Asia.

Flexibility

Even before Mr. Thanin's removal, General Kriansak Chamanand, the supreme commander of the armed forces, was pressing for more flexibility in Thailand's foreign policy. Some progress has been made recently in discussions on overflying rights across Indo-China on the Hong Kong-Bangkok route; Thailand has eased the restrictions it imposed on exports through its territory from land-locked Laos; and Mr. Kukrit Pramoj, the former Thai Prime Minister, had been on a diplomatic mission to Peking almost certainly with Gen. Kriansak's blessing.

Gen. Kriansak is probably the most important of the military leaders involved in last Thursday's take-over. He does not favour the more open-handed policy towards the Communist States advocated by some of the country's civilian politicians. But the chances are that there will be a revival of the agreement negotiated in August 1976—since put in cold storage—for Hanoi and Bangkok to establish diplomatic relations.

Foreign policy was by no means the only issue on which the army commanders were at odds with Mr. Thanin. They were as anti-Communist as Mr. Thanin, but they felt that his high-handedness towards trade unions, the Press and universities provoked the very evil they both sought to cure. Though the army were agreed that Mr. Thanin had become a liability, they are far from sure how to replace his Administration.

Free speech

Like military juntas the world over, the solution they would most like is an amenable civilian government that would provide the technical expertise that they lack themselves to run the economy. They recognise—more than they did a year ago when they carried out a similar coup—that the three years of democratic rule from 1973-76 have left a taste for free speech that they will have to satisfy. Hence the promise of elections. But they also want to keep the politicians on a tight rein for fear that democracy could slip into chaos.

Finding a formula that will bridge these difficulties and enable civilians and the army to work in tandem is likely to prove a formidable task. Failure could mean a succession of weak governments which would leave Thailand vulnerable to the Communist insurgents who are already well established in parts of the country. Hanoi may be dissuaded from generously supporting them. But it is not going to restrain them if Thailand makes a mess of its own affairs.

The North Sea opportunity for British plastics

BY KEVIN DONE, Chemicals Correspondent

IF THE aims of the Government's industrial strategy are to be realised anywhere, it ought to be in the chemicals industry: in marked contrast to the decline in many areas of British industry in recent years, the chemicals sector can boast a record of growth rates well above the average for the rest of manufacturing industry, consistently high levels of investment and enviably stable industrial relations. But the acid test for the future of tripartite co-operation in the industry is still to come.

To-day representatives of the chemical companies, the trades unions and the Government will begin a series of meetings to try to reach agreement on a common strategy for the growth of one of the most vital areas of the industry, plastic materials. But already the omens are not too promising.

The meeting of the petrochemicals sector working party will have before it a controversial report commissioned from McKinsey by the National Economic Development Office. "Identifying strategy options for the Plastic Materials Industry in the U.K." This study, which has yet to be published, sets out three strategies for the plastics industry to enable it to increase its share of EEC trade and wipe out its substantial trade deficit with other member countries. It centres on the overriding need for the industry to commit itself soon to large-scale investments if it is to be in a position to balance its trade with the EEC by 1990.

North Sea benefits

But the report could hardly have appeared at a moment more awkward for the plastics industry. Throughout Europe it is facing problems of over-capacity, low prices and falling growth rates, second only to those problems facing the makers of synthetic fibres. But whatever its problems in Europe, in the U.K. the development of the plastics industry is seen as one of the best ways to benefit from the discovery of North Sea oil and gas.

If the country is to achieve these benefits much will depend on the chemical companies and their ability to give added value to these new sources of feedstock. The chemical industry is well aware of the intensifying pressure on it from both the Government and the trade unions to take a greater interest in North Sea oil, but it is unhappy about some of the implications. The companies argue that there is no point in building new plants, if there are no markets for the products, as increased use of feedstocks can only exacerbate current problems of over-capacity and further postpone the time when the industry can get back to earlier levels of profitability.

Mr. Len Burcbell, managing director of BP Chemicals, spelled out succinctly the industry's worries to meetings of BP employees recently: "The point at issue is whether in circumstances of unsatisfactory profitability it would be right to commit funds of this magnitude to the chemicals sector. The North Sea money is just as much a short-term bonanza for BP as it is for the country, and to spend this once-and-for-all cash flow unwisely, in sectors of activity which will not be able to generate the funds necessary to maintain their own viability in the long term would be neither in the interest of the group nor of the country."

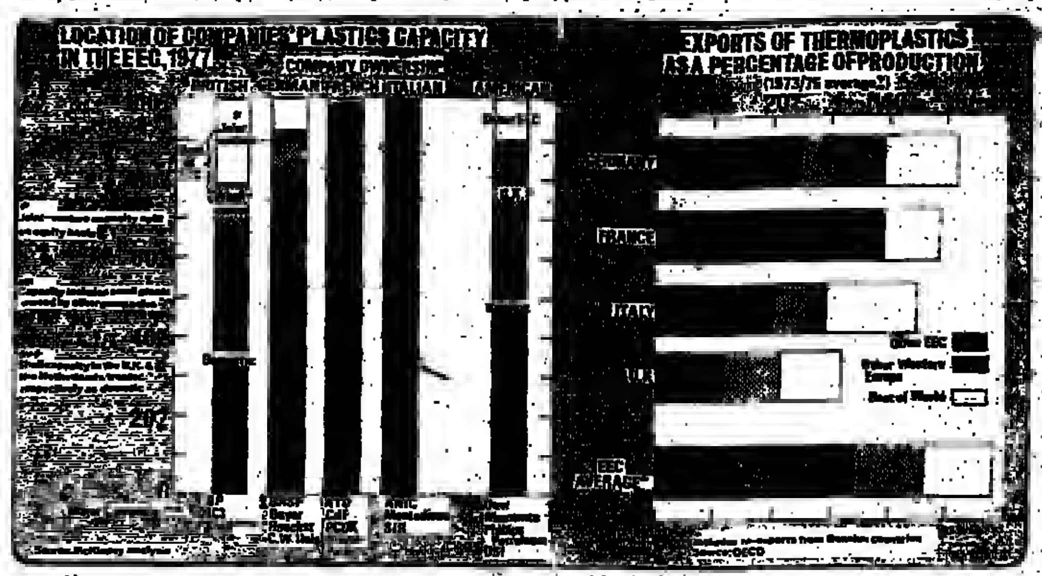
Against such a background, the suggestions for the industry contained in the NEDO study would appear to be guaranteed a cool reception by the plastics manufacturers. They might well cite the current sorry state of the British Steel Corporation's finances as evidence of what can go wrong with an over-ambitious investment strategy based in part on gaining large new export markets. But it is likely that for the Government and the unions they will appear to be the only ways open to the industry if it is to recover an EEC market share that has been falling steadily in recent years.

The report concentrates on the large-volume commodity plastics, low and high density polyethylene, polypropylene, polyvinyl chloride (PVC), polystyrene and polyurethanes and the two medium-volume plastics with fast growth rates, unsaturated polyesters and ABS/SAN. Taken together, these products hold more than 80 per cent. of the European market and their share is forecast to grow between now and 1990.

The plastic materials industry is one of the key sectors of petrochemicals, because it is the link between, on the one hand, the manufacture of the basic and intermediate petrochemicals, such as ethylene and propylene, which provide its raw materials, and the plastics processors on the other, who consume its products. In the U.K., the industry is dominated by three producers, ICI, BP and Shell, which together account for about 70 per cent. of capacity. The only significant foreign involvement in the U.K. industry has come from American companies, such as Monsanto, Union Carbide and Borg Warner Chemicals, who control about 20 per cent. of U.K. capacity.

The McKinsey report was commissioned by the former working party, which, as part of the industrial strategy studies made last year, decided that the main aim for the industry should be to arrest the decline in the position of the U.K. in the EEC production league and to raise its share of the market for plastics in Continental Europe towards the levels enjoyed by other leading European producers.

The working party pointed out that the U.K. share of EEC production of plastics materials fell from 22 per cent. in 1963 to 13 per cent. in 1975. About 30 per cent. of U.K. production has normally been exported, but only a small share goes to the EEC. In 1972, for example, the main European producers held widely different shares of the markets in the other EEC countries. West Germany held 18 per cent. and the Netherlands 9 per cent.: France took 7 per cent. and Italy 5 per cent., while the U.K. had only 1 per cent.



Last year, the sector working party set the aim for the U.K. of achieving 5 per cent. of the Continental EEC plastics market, but the McKinsey report has modified this and talks of achieving a trade balance with the Community.

But how can this be done, and will it prove to be a profitable exercise which is in the U.K.'s best national interest? McKinsey rightly points out that the European plastics industry is dominated by the fear of persistent over-capacity. Although growth in demand is forecast to continue at levels requiring substantial new capacity throughout the EEC by the late 1980s, the present high degree of over-capacity is likely to persist well into that decade.

It draws a contrast, however, for the industry in the U.K., where currently planned capacity is unlikely to satisfy U.K. needs beyond the beginning of the 1980s if it is to maintain or improve current trade patterns. "Thus the U.K. will probably require new capacity several years before the rest of the EEC, to avoid a deterioration in its position," says the report.

This gives the U.K. a broad range of strategic options. "At one extreme, it could add no more capacity until the European surplus is absorbed, which would lead to increasing import penetration. At the other, it could add sufficient capacity to enable it to balance EEC trade at any time which would exacerbate the general over-capacity in Europe." The opportunity for the U.K. would be to add capacity for export as well as for local consumption, while Continental producers could not easily justify building any new capacity. If the U.K. could market its products effectively, says the report, it could pre-empt its competitors, because it would have extra capacity available to satisfy a Continental demand growth that might otherwise have been met by new Continental capacity.

Unless Britain has sufficient capacity available when the market requires it, the opportunity to improve its position in the EEC will be lost, the report states bluntly. But it is quick to voice doubts about the final viability of any of its strategies. "There is bound to be a cost involved in expanding capacity ahead of the market, and this cost may deter potential investors. The essential choice for the U.K. is whether to bear this cost and thus be more sure of achieving its trade balance target, or to delay investment until later at the expense of being less sure of achieving the target." Faced with that stark choice, the views of the companies and the unions can be expected to divide cleanly down the middle.

Capacity for export

McKinsey maintains that the target of balancing trade with the EEC is "a reasonable compromise between what is desirable and what is feasible, and should not prove unacceptable in principle to the other members of the EEC.

Demand for plastics in Western Europe is forecast to grow at an average of 6 per cent. a year from 1976 to 1990, at about double the general economic growth rate. But it is in the area of four particular commodity thermoplastics — low density polyethylene, PVC, polypropylene and high-density polyethylene — that the expansion strategy could be best employed. Substantial new capacity is likely to be required in the U.K. by 1985 to produce more than 100,000 tonnes a year extra for each product, but by 1990 Western Europe could need new capacity to produce more than 1m. tonnes extra for the same four products. The U.K., with a strong position already in these markets, could consider more capacity in this area for export as well as added home consumption.

McKinsey suggests that the industry faces three basic options: delayed investment, home market protection, and European pre-emption. The first, which is perhaps most likely to appeal to the chemical companies (operating as they do on a European rather than a national scale) would involve building capacity at a much lower rate while the EEC is in surplus, and then accelerating towards the target of a balance of trade by 1990. It would involve short-term losses of market share in the U.K. to minimise financial loss.

The plan for home market protection would involve building sufficient capacity to maintain the U.K.'s present share of home and export markets while the rest of the EEC is in surplus. It would mean competing at home with cheap imports from the Continent and for export growth in markets suffering from low prices resulting from local over-capacity.

But the risks involved would be nothing like those in the European pre-emption option, the one the U.K. chemicals unions will strive for. This would involve building enough capacity for the U.K. to be in a position to balance trade at any time between 1980 and 1990. If it succeeded, it would have a beneficial effect on the balance of payments, would give the greatest degree of continuity of employment and could add significant value to North Sea resources. But it carries most risk of leading to persistent overcapacity in the U.K. if demand grows at a slower rate than forecast.

Given the time it takes for a project to be approved and built in the U.K., commitment to new investments would have to be made next year if all the strategy options are to be kept open. But the debate within NEDO is unlikely to be resolved so quickly. And [illegible] accepts that the U.K. is [illegible] to attract sufficient new [illegible] to be in a position to [illegible] EEC trade by 1990 unless [illegible] ernment initiatives are [illegible] influence the decision [illegible] must be made by poten[illegible] vestors. The most impor[illegible] these would involve [illegible] ment moves to encour[illegible] construction of a gas-ga[illegible] pipeline to provide a su[illegible] gas liquids from the No[illegible] "at attractive prices" [illegible] with financial encourag[illegible] to build new petroch[illegible] intermediates capacity [illegible] improvement in the en[illegible] ing construction industry [illegible] record on plant com[illegible] times.

Heavier gases

But the chemical ind[illegible] unlikely to be [illegible] Philip [illegible] tions director of ICI's [illegible] chemicals division, has sou[illegible] dispel the expectation ex[illegible] in some circles tha[illegible] domestic oil flowing, the [illegible] Sea will "shortly be rin[illegible] petrochemical plants." [illegible] league Dr. Vic Cove, c[illegible] of Mond division, has [illegible] company's business and [illegible] ment committee that ICI is [illegible] actively at how North S[illegible] can best be used to help [illegible] industry and the balance [illegible] ments. But the success [illegible] investment was clearly de[illegible] ent on market opportuni[illegible] could not create markets [illegible] they did not exist. M[illegible] Pownall, Shell U.K. manag[illegible] North Sea gases co-ordin[illegible] recently spelled out to an [illegible] national plastics conferenc[illegible] relative disadvantages of [illegible] heavier North Sea gases [illegible] as ethane, against the [illegible] traditional liquid feeds[illegible] The industry is worried [illegible] the short timespan that [illegible] gases would be available [illegible] the difficulty of finding alt[illegible] tive sources.

Furthermore the U.K. c[illegible] cal companies are looking [illegible] and more to Europe as a [illegible] market, rather than to Br[illegible] alone. ICI for example, is [illegible] on establishing a major [illegible] site at Wilhelmshaven [illegible] northern Germany—one of [illegible] best remaining Continental [illegible] for petrochemical developm[illegible] —as a centre leading to the [illegible] duction of PVC, because it [illegible] lieves that this is the best [illegible] of improving its European m[illegible] ket share and at the same ti[illegible] of helping exports from [illegible] U.K. According to Dr. Co[illegible] "Nothing could be worse [illegible] jobs in the U.K. in ten ye[illegible] time than if an aggressive co[illegible] petitor established large-sc[illegible] manufacture in Wilhelmsha[illegible] with advanced technology [illegible] good export potential instead [illegible] us." The chemical industry [illegible] not be brought easily to [illegible] view that a strategy of [illegible] emptive investment is in its, [illegible] the U.K.'s, best long-term [illegible] terest.

MEN AND MATTERS

Roll up, roll up the golden mile

The citadels of amateur sport—already severely dented by the Kerry Packar cricket circus—look like coming under further massive assault this week. On Tuesday, Riyad Shnelbi, President of the Dubai Sports Corporation and director general of Dubai radio and colour television, will announce, together with Leonard Evans, chairman of Falconry Sports Enterprises of Chicago, details of their plans for an athletics spectacular involving positively vulgar amounts of prize money.

Tha Dubai International Track and Field Championships, which they intend to stage, will offer a minimum of \$1.6m. in prize money of which \$300,000 will go to the winner of the singularly aptly named "golden mile" race.

According to the organisers "the spectacular will provide the first real opportunity for world class track and field athletes to join the ranks of bona fide superstars in terms of recognition and cash rewards and is expected to attract champions of all nations."

"Will it?" I asked John Martell, national administrator of the Amateur Athletics Association. He rather doubted that it would attract young athletes with their eyes set on the Olympics, although he conceded it could be attractive to some Olympic class athletes now at their prime or possibly just past it and who could find the chance of winning a substantial prize quite a satisfactory way of ending their amateur status.

In any case the guidelines of the AAA are rather more flexible than I imagined. It seems that amateur athletes are allowed to take part in "superstar" events provided they don't actually take part in their own event or something similar and also, of course, that they do not accept any payment.

The AAA for its part is quite willing to accept prize money won by amateur athletes in superstar events or to indicate sports charities, like the various funds set up to finance new sports centres, to which prize money could be usefully channelled.

Martell quoted two cases of leading amateur athletes—Alan Pascoe, one of the first half dozen 400 metre hurdlers in the world, and Geoff Capes, the amateur shot putter who had taken part in Superstar events without forfeiting their amateur status. For the sake of clarity I asked Martell if, for example, it would be within the rules if Geoff Capes were to enter for the "golden mile." Oh yes, and that *would* be worth watching."

Goofy energy

Last week we revealed the propaganda potentiality of comic strips as shown by the decision of La Leche League to give a prize to the creator of the Brenda Starr comic character. Brenda breastfed her baby Twinkle in print and that was just wonderful so far as La Leche League was concerned.

The thought is not an original one. George Orwell, with his characteristically analytical eye, once investigated the ownership of boys' weeklies and the underlying moral assumptions behind the actions of comic heroes and concluded that it all added up to propaganda of a very reactionary kind.

But I would not have gone into the subject again had a reader not sent a copy of a comic produced by the Walt Disney Educational Media Company with "production assistance provided by EXXON."

The comic is entitled "Mickey Mouse and Goofy explore energy" and it is the first of a series in the "wide world of energy multi-media kit."

With breathtaking simplicity Mickey and Goofy run through the history of energy, the search for new sources, the virtues of energy saving and the need for time and lots of money to discover and develop new, non-polluting and indefinitely re-newable energy sources.

Is it a superb educational tool or subtle brain washing or both? Whatever it is the message comes over loud and clear when an admiring Mickey eyes Goofy's wind-driven soup cooler and gushes "So whatever the energy problem we know that good old Yankee ingenuity will come up with the answer." Yessir.

Paying the piper

Earlier this year it looked as though Transport 2000, one of the best known of the many anti-road-building pressure-groups was about to fold up.

Mike Harris, who had run the organisation in tandem with his job with the Railway Industry Association, announced he was leaving to become a railway journalist, and RIA made it plain that it could not spare rent-free accommodation for a new director of Transport 2000 who wasn't working for the Association.

There was also the scent of a cash crisis which came as no surprise from a nationally known organisation said to be operating on a mere £5,000 a year.

Since then, an anonymous organisation has helped with the bank balance and Transport 2000 to-day announces the appointment of a £4,000 a year, full-time director: Mick Hamer, for three years well in the forefront of the "stop the motorways campaign" as transport man with Friends of the Earth.

Hamer, 31, says he's out to strengthen Transport 2000's central image by getting off the ground a national campaign about the need to integrate bus and rail services.

This, though, raises more than a sniff of interest about the identity of the anonymous benefactor. In the past, Transport 2000 has been to a large extent beholden to its financial master, the National Union of Railwaymen, to sing the praises of rail rather than road transport. Indeed, because of this link with the NUR, Transport 2000 has occasionally been on the receiving end of attacks from the busmen's union, the Transport and General Workers.

Could the anonymous benefactor turn out to be a friendly busman? Hamer promises all will be revealed shortly.

Heartfelt

Thank you to the wit at the BBC who has just sent us our weekly digest of local radio's forthcoming attractions in the standard brown envelope addressed to The Editor, Man and (money) Matters. We all know exactly how he or she feels.

Observer

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West Germany

With their country a pillar of the Western community, with an economy which has become the envy of the world, West Germans may wonder what they have done to bring upon themselves the traumatic events of the past week — when they have been forced to think deeply about their country and its relations with the rest of the world.

Living under a dark shadow

By Jonathan Carr
Bonn Correspondent

THIS MONTH the Federal Republic of Germany has been passing through one of the most emotionally exhausting periods of its 28-year history.

The German public had already become accustomed to constant meetings of the Bonn "crisis staff" as the hunt went on for the kidnapped industrialist, Dr. Hanns-Martin Schleyer. Then came the hijacking of a Lufthansa jet and days of tension—followed by a wave of relief when a West German commando raid freed the hostages. But amid the elation came news that "hard core" terrorists had killed themselves in their cells, obtaining weapons for the deed even though they were supposed to be isolated from the world. Hard on the heels of this came the shock of finding Dr. Schleyer's murdered body—on terrorist information—and the launching of the biggest police sweep ever mounted in West Germany. The word "terror" has rarely been absent from radio and TV bulletins. It has dominated the newspapers. Scarcely any speech by a leading figure in or out of politics fails to make mention of it.

What has the Federal Republic done to deserve this agonising trial? It appears to have done everything to deserve the opposite. With the slight exaggeration born of an election campaign, its leaders last year described their country as *Modell Deutschland*. From the outside that is very much the way it looks. After years of dictatorship, destruction and foreign occupation, the West Germans built a democratic federal state with a vigorous economy—a country which is a key pillar of the Western Alliance and a firm, if somewhat disappointed, member of the European Community. How easily it might have been otherwise—and how much more insecure would its neighbours then have been.

History

All this is so clearly true that it becomes easy to overestimate the strength of the Federal Republic. But history and geography (the old discomfort of a central European position now allied to an armed border with the Communist East) have taken their toll. So too has one aspect of national character which must partly be allied to the other two factors. As Thomas Mann remarked: "The tendency towards self-criticism, often to the point of self-disgust and self-execration, is thoroughly German." Even the most absurd foreign charge hits hard because Germans remain inwardly ready to accept that there may well be something in it.

The very excellence of the German achievement so far might seem enough to calm these inner doubts. But in some ways it increases them. There is the strain of staying at the top, of being a nation of which much is automatically demanded. And there is the fear of going over the top—intensified when envious foreigners point with apparent glee to what they feel are cracks in the immaculate German facade. And when real problems do arise—problems which some other nations might almost account blessings—they cause deep anxieties.

Take the economy. On the face of it a real growth rate of 3 per cent. in GNP this year coupled with an inflation rate of 4 per cent. would be accounted a good result in most Western states. But earlier this year Bonn pledged it would do all possible to achieve 5 per cent. growth. And any inflation at all still brings shudders to those who recall the social and political consequences of hyper-inflation in the twenties.

There is still a big trade surplus—but then West Germany has become used to a situation in which almost one job in four depends on exports. There are 1m. unemployed even with the volume of foreign business that surplus implies. How many will be jobless if exports finally lose ground, under the combined burdens of a slow growth in world trade and a repeatedly revalued D-mark? After all, the surplus on current account has been falling quite sharply over the past few years and the basic balance is in deficit.

Then there is concern about the social market system itself—"capitalism with a human face" as it has been called. The system and the *Wirtschaftswunder*—the economic miracle—so long went hand-in-hand that the existence of the first seemed almost to be a guarantee of the second. Now there is no miracle. Employers say that the system has been seriously unbalanced over many years, pointing to the sharp decline in their profits as a percentage of sales since the 1960s and the increase in State expenditure as a proportion of GNP. There is also a suggestion that Germans are becoming less diligent, that, shocking though the jobless total may be, some could find work if they wished but prefer instead to collect the generous unemployment money, totalling 68 per cent. of former net working income. More than a decade ago an English writer prematurely suggested "There are hopeful signs that the Germans are becoming less industrious and efficient." Could this now be coming true?

The trade unions bitterly reject such a suggestion. They charge managers with shedding jobs through rationalisation and of taking advantage of labour moderation, clearly displayed over many years.

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Does this argument indicate that the long-renowned "social partnership" between management and labour in Germany is disintegrating? Many Germans *fear that it may. They point in* particular to the appeal by employers to the Federal Constitutional Court against the new law on *Mitbestimmung*—co-determination—a move which aroused the concerted fury of the unions. The fear is not erased by the reminder that the situation is worse in other countries.

The appeal raises another question. The Constitutional Court clearly has an essential function to play as watchdog of basic law. Not a few British appear to wish that they too had such an institution and a written constitution. But the Court is increasingly in danger of being used as a corrective to laws which Parliament has passed unwisely or hastily—or both.

Corrective

It is good for the country that the corrective should exist—but not good that the people's elected representatives should have to stand corrected. This is more true now when, as the political article in this Survey indicates, the pressure is on for the quick passage of new measures to counter terrorism.

Some may argue that this does not matter much. After all West Germany is a federal State with considerable devolution of power and a healthy regional lack of respect for what "that lot in Bonn" is up to. True—but many in Germany are beginning to wonder how much federalism is really a blessing. There has long been dissatisfaction over the lack of co-ordination in education policy between the Länder—the federal States. Now there is increasing talk of the disadvantages of regional organisation of police work, especially when a nation-wide hunt for highly mobile criminals must be launched.

Furthermore, there is a good case for arguing that the Federal Government is slowly being moved into an impossible position over finance. It is responsible for meeting the country's ever growing international commitments — for example in the United Nations or the European Community. Yet the Länder, which have no such commitments, have a decisive say over the raising and distribution of revenue. The German experience here is worth critical examination by all those urging a federal system for Europe.

It is too soon to say how far these fears will be accentuated by the recent shocking events—themselves following on the murder of the banker, Herr Juergen Ponto, and the federal Attorney General, Herr Siegfried Buback, earlier this year. There have been some gains. Chancellor Schmidt, by his tireless and resourceful efforts, has added to his already considerable stature at home and abroad. The spectacular result of an effective German commando operation to free the helpless victims has boosted morale, and the encouragement and praise from Germany's allies has been of great value too. One key aim of Bonn's foreign policy will now be to try to ensure that these expressions of good-will are translated into more effective international action against terrorism.

But it is clear that the terrorist menace within the Federal Republic is not over. The experience has already left many scars. One high Government official, for example, hazarded the guess that the impact on business confidence of Herr Ponto's murder might have cancelled out the efforts of the Government to boost the economy.

Again effort has been dogged by misfortune. It used to be said that "respect the Prussians as one may, it is impossible to help disliking them." It is high time for a change. Admire the West Germans as one may, it is hard not to sympathise with them.

BASIC STATISTICS

Area	96,092 sq. miles
Population	61.5m.
GNP	DM1,123bn.
Per capita	DM18,263
Trade (1976)	
Imports	DM222bn.
Exports	DM257bn.
Imports from U.K.	£1.83bn.
Exports to U.K.	£2.76bn.
Currency: D-mark.	£1=DM4.01

Signs of stress in the social fabric

Hostages from the hijacked Lufthansa jet returning to Frankfurt last week.

THE SHADE of the Weimar Republic—"that most democratic of democracies" as one of its ill-fated leaders called it—never fully recedes from West German political life. In the 1950s one writer felt able confidently to state that "Boon ist niebt Weimar" (Bonn is not Weimar). A decade later another took up the theme in "Ist Bonn doch Weimar?" (is Bonn Weimar after all?). At issoe is whether this second German experiment with democracy has the resilience to avoid the fate of the first.

Some Germans will groan to bear the topic raised at all. They are sick of foreign douhts, foreign envy—and what sometimes looks like foreign hatred. They say the Federal Republic has a devolution of power wbich Weimar did nnt have; its President has fewer prerogatives, its Chaocellor more; and its rules for parliamentary representation prevent a splintering of parties which would render effective government impossible.

This is true. Yet the queation of resilience remains—and the parliamentary reaction in the wake of the kidnapping of the industrialist Hanns-Martin Schleyer underlines it. An atmosphere has emerged in which it is iocreasingly hard for a minority of parliamentarians with genuine doubts on the policies advocated to withstand pressure from a majority urging a "solidarity nf democrats to defend the constitutional state," aod this is happening under a Social Democrat (SPD)-Free Democrat (FDP) Government coalition horn in a spirit of liberalism and reform.

How has this happened? Terrorism is the immediate cause—but the issue falls in fertile soil. An attempted explanation needs a look back.

For the first 20 years after its foundation in 1949, the Federal Republic was ruled by a government of Christian Democrats (CDU), latterly in coalition with what one might normally take to be its principal parliamentary foe, the SPD. This so-called "grand coalition" virtually ohliterated opposition in parliament. And that helped to stimulate the rise of a sometimes violent opposition outside parliament, itself part of student unrest througbout the Western world.

In 1969 the SPD and FDP formed a coalition under Chancellor Willy Brandt which brought a fresh breeze into German politics and life. Its first term was marked at home by an ambitious (perhaps over-ambitious) social reform programme and abroad by the *Ostpolitik*. It was re-elected in 1972 with a mucb bigger majority.

That coalition is still in power. It was narrowly returned with a Bundestag (lower house) majority of 10 in last October's general election. But its spirit has changed drastically. Some say this is because of the oil crisis and economic recession, which dashed hopes of further reforms. Some suggest the coalition has simply been in power too long and has run out of energy and ideas. Others say the blame partly lies in the pragmatic temperament of Chancellor Helmut Schmidt, who took office in 1974 when Herr Brandt stepped down amid a spy scandal in Bonn. The answer may involve all of these, though it can also be argued that matters would have been worse had Herr Schmidt not taken over wben he did. One thing is certain. At the start of this decade there was a spirit of "the sky's the limit" in Government, which communicated itself to the people. A couple of years ago the best that seemed possible was to safeguard what had heen achieved. To-day that effort of preservation has become a grim struggle, with the outcome more uncertain tban ever.

The opposition has changed too—though it always has a factor of continuity, if not of stability, in the energetic person of Herr Franz Josef Strauss. He is leader of the Christian Social Union (CSU), a Bavarian party which is ally and irritant to the CDU in roughly equal measure. CDU leaders come and go, but Herr Strauss remains, advocating tough policies in tougher language. He believes that he, not the CDU leader Helmut Kohl, would have been the most suitable opposition candidate for the Chancellorship in the election campaign last year. There are not a few right wingers in the CDU who share this view. The party moderates have argued that under Dr. Kohl the opposition achieved an outstanding result. But the hardliners feel that a tougher stance might have tipped the balance, drawing them back into power at last.

Thus there is dissatisfaction at both ends of the political spectrum. Many on the SPD left feel that precious little social democratic policy gets on to the statute book, at least partly because of the FDP, which they feel has undue influence in the coalition. On the right Herr Strauss flirts with the idea of a fourth party scooping up every last Right-wing vote and increasing his leverage. Fears that both these wings might split have raised the spectre of a new "grand coalition"—the SPD without its Left-wingers in alliance with the CDU without Herr Strauss and its own Right-wing.

But this month a de facto grand coalition emerged—without any formal split. With a speed rarely seen in West German parliamentary history, a law was passed which bars imprisoned terrorists, or those suspected of terrorism, from contact with the outside world, including their lawyers, when specially "dangerous" circumstances are held to exist. A handful of Government coalition party deputies failed to support the Bill, which means it would not have passed had not the opposition voted in favour en masse.

Intense pressure has been brought on the few "rebels" to try to ensure they stand behind the majority in future. If they feel they cannot, it has been suggested that they may have to give up their mandates.

There is no question that democrats like Herr Schmidt saw the law introduced with a heavy heart. But they felt it essential, especially in the midst of the kidnap of Dr. Schleyer. Nor is there any doubt that some lawyers have been acting as contacts between terrorists in jail and outside.

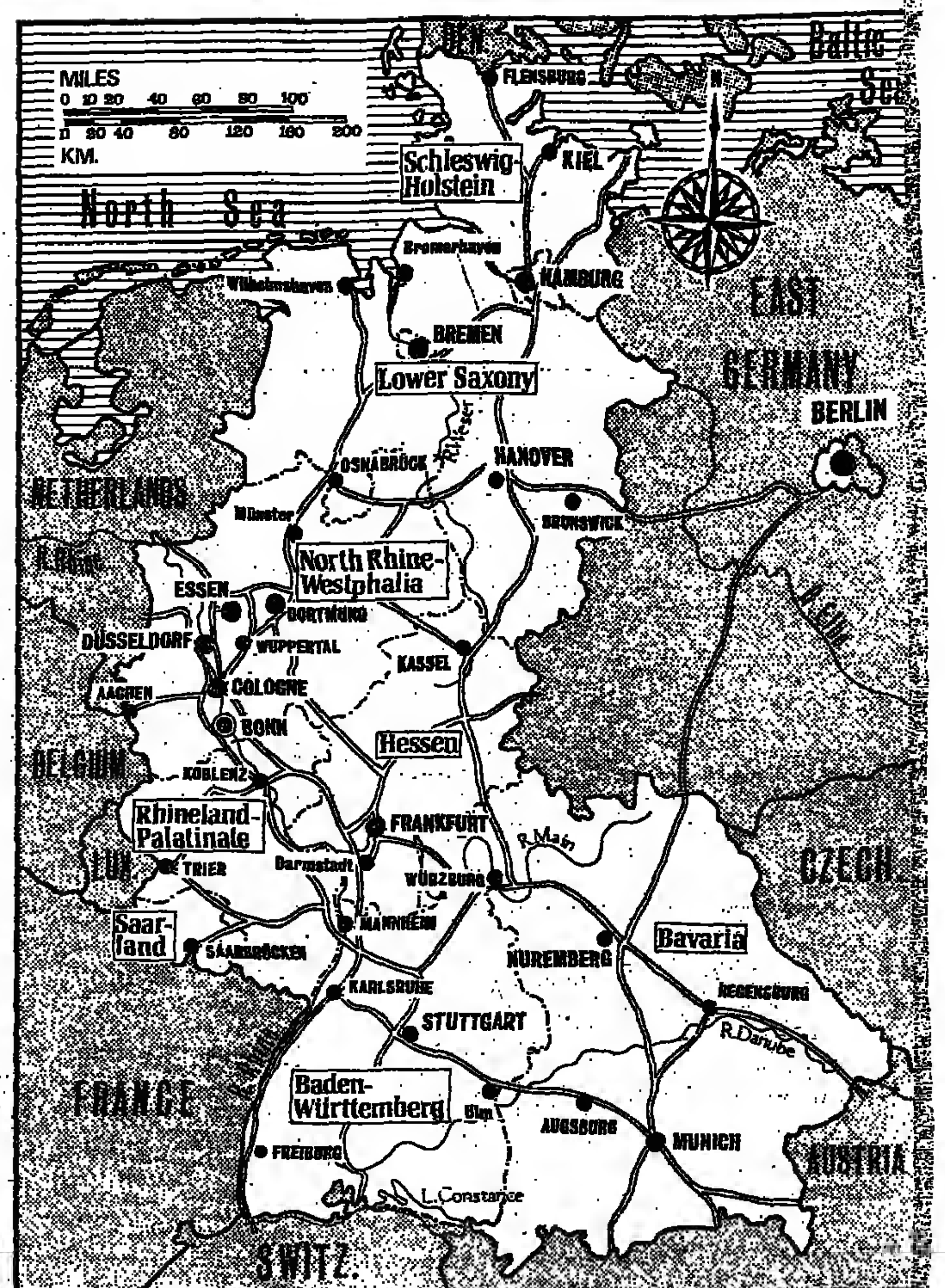
Widely

Yet the law is drawn very widely, and there are doubts whether it is only a solitary measure taken in exceptional circumstances as its advocates claim. Further steps against terrorism are under discussion. The CDU-CSU will certainly try to force through some measures tougher than the Government parties would like in return for support on other, more moderate, ones. The question of a breakaway move by Herr Strauss seems markedly less urgent in a context where the whole opposition is falling behind tough policies Herr Strauss had advocated for years. More worrying is that the rest of parliament seems to be ... the same road.

Is this what the German "man in the street" wants? Newspapers and public opinion polls seem to show a majority favours a hard line. Certainly the public backed the storming (last week) by German commandos to free hostages from the hijacked Lufthansa jet. A wave of relief emerged, not just because the operation was successful but because, after many frustrating days, the State had acted firmly.

Yet it is permissible to wonder how far the present parliamentary course really reflects the desires of the public. Last year the theme of nuclear power played virtually no part in the election campaign. Yet soon afterwards there was an upsurge of civic protest which took politicians—and much of the Press—by surprise. Can it be that even now politicians are acting in a world divorced from those they are supposed to represent? There is no clear answer.

Jonathan Ca[rr]



Tackling the terrorist

WEST GERMANY has just won an important victory against its terrorists — widely considered the most cold-bloodedly competent in Europe, perhaps in the world. But the war goes on, and both sides may adopt increasingly sophisticated methods in waging it.

The rescue last week by a special unit of Germany's border protection force of 86 hostages from the hijacked Lufthansa airliner was a triumph of organisation at the highest level in Bonn—and provided welcome evidence of growing international co-operation against the terrorist hijacker.

The suicide shortly afterwards of three remaining members of the hard-core of the Baader-Meinhof terrorist group—including Andreas Baader himself—in their cells in the maximum security jail at Stuttgart seems a violent act of despair in response to their colleagues' failure to force Federal Government to release them.

They were serving life sentences after being convicted of murder and attempted murder following the longest, costliest and most controversial trial in Federal German history. During the trial Ulrike Meinhof herself committed suicide in jail. With their death it might seem to say that the Baader-Meinhof gang is no more.

But those who have followed the German terrorist scene more closely refer to Baader-Meinhof as members of a first generation, who moved and acted relatively openly, at least initially. It is suggested that there is a second and third terrorist generation, living incognito and—if anything—tougher still than their predecessors. One revolutionary document smuggled into the cells of jailed terrorists makes chilling reading. In essence it says that Baader and Meinhof were too soft, that they claimed with some apparent pride to be political prisoners when, the document says, all prisoners in a rotten society are political.

Jargon

The German terrorists are often loosely referred to as extreme left-wing—and it is true that they adopt the jargon associated with it. But they cannot really be classed with any political wing. If they can be compared to anything it is to Dostoevsky's "devils"—people who by their own admission are ready even to throw acid in a child's face if it will help their cause. What is that cause? Beyond destroying society it is impossible to say.

German terrorism has its roots in the student protest wave of the late 1960s. Much idealism was involved in that movement and some of it was channelled into formal political life in Germany when the Social Democratic-Liberal coalition came to power in 1969. But some attitudes became warped—at the most extreme turning into self-hate expressed in nihilistic violence with pseudo-ideological justification.

One German expert describes the new terrorists as intelligent and disciplined, generally coming from good homes and having a good education. They present Germany with a unique problem—that of intellectual terrorism practised by those of whom, in happier circumstances, the State might well have been proud.

No one knows for certain how many "hard core" terrorists there are. A year or so ago the figure was put at about 1,200—excluding of course several thousand people ready to help in if not actually commit murder. They are very resourceful, co-ordinating with one another (even when in jail), capable of building sophisticated weaponry and able to foster close ties with extremists in other countries. The clear link between German and Arab terrorism in the recent hijack drama alone proves that.

The political response to this challenge is understandable—but gives rises to concern. It is often said that an effective fight against terrorism can only be carried out with full international co-operation. That is true. But as a federal State Germany has special problems. Police work is a *Länder* responsibility. Training and operational efficiency differs from State to State. Co-ordination is not always effective.

One response to this has been the creation of GSG-9—the special force which took part in the recent rescue. It was founded following the massacre of the Israeli athletes at the Munich Olympics in 1972—a disaster which pointed up the need for a special band of highly trained Federal police.

The force numbers about 170 and is based at St. Augustin near Bonn. Not only do its members have expertise in fields like explosives and karate; they are also trained to deal with the psychology of terrorism. The latter point is perhaps the most important. It is clear what the terrorists are doing. When the ideological dross has been stripped away, it still remains unclear why. Here is a field where everyone—authorities and public alike—need more light.

J.C.

Defence and the NATO shield

THERE WAS a time this summer when defence seemed the dominant topic in West German affairs. It was possible to pick up a newspaper and find not one but three defence stories on the front page. For a start, there was the neutron bomb and its implications for Germany, should President Carter choose to deploy it. Then there was PRM-10, or Presidential Review Memorandum No. 10, which, it was alleged, recommanded the U.S. President to accept the loss of up to one third of West German territory in the event of war rather than the increased expenditure necessary to defend the country on its eastern borders. Not least, there were the recurrent reports of growing Soviet military strength.

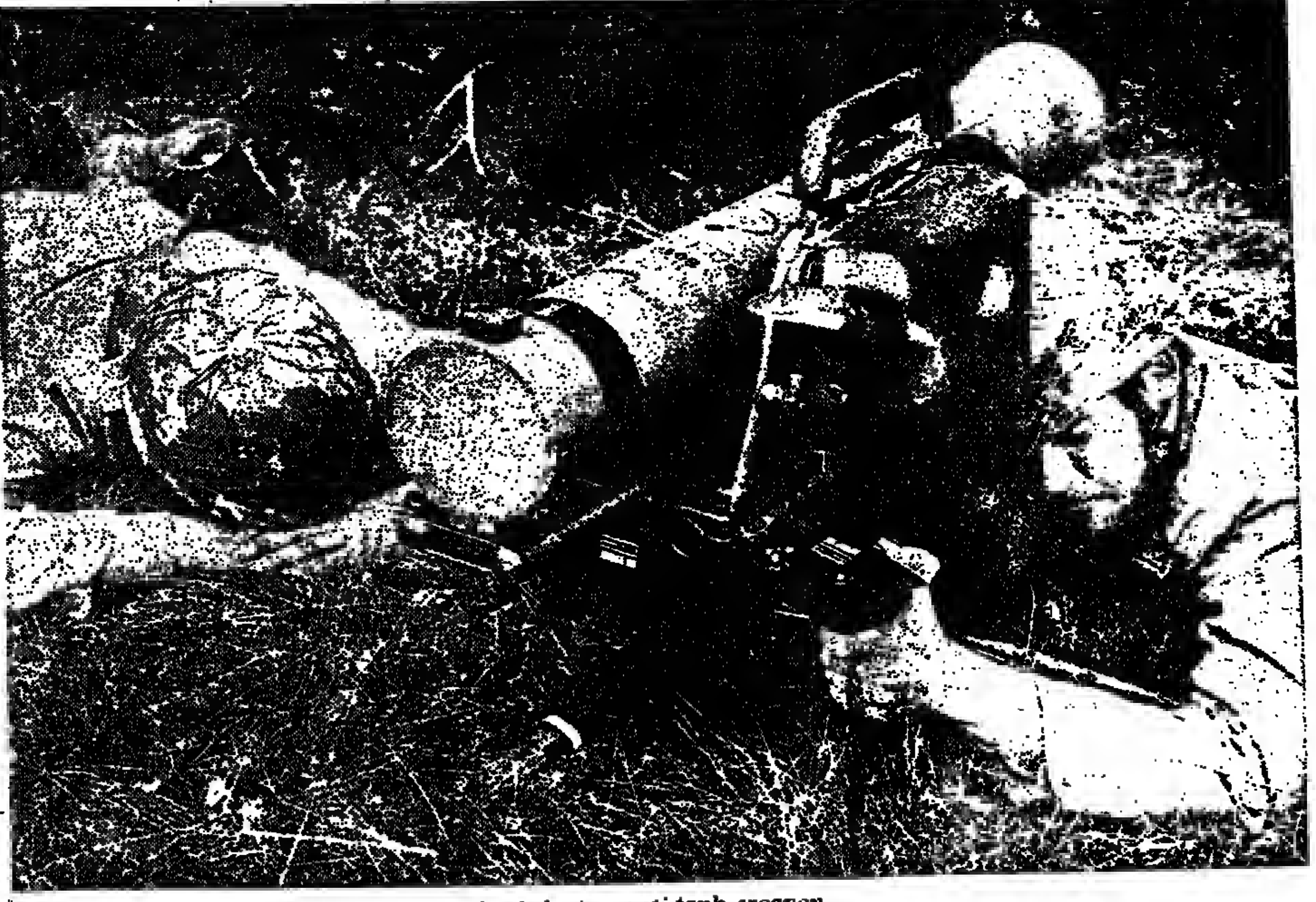
It was not just the silly season. Nearly all the reports had some basis in fact; nearly all of them gave cause for concern. There was after all a new American President who was reviewing American defence policy. President Carter had also been late in inviting Chancellor Schmidt to Washington and is still omitting West Germany and Berlin from his world tour next month. Besides, the increase in Soviet military power, whether on land, at sea or in the air, could hardly be gainsaid. It was not just a West German invention.

Yet there is another sense in which the ringing of the alarm bells was indicative. It suggested that West Germany's exposed but crucial position in Western defence has still not been fully understood either by the West Germans themselves or by the rest of the Atlantic Alliance. Above all, it appears that there is a great deal of ignorance of current, let alone future, NATO doctrine.

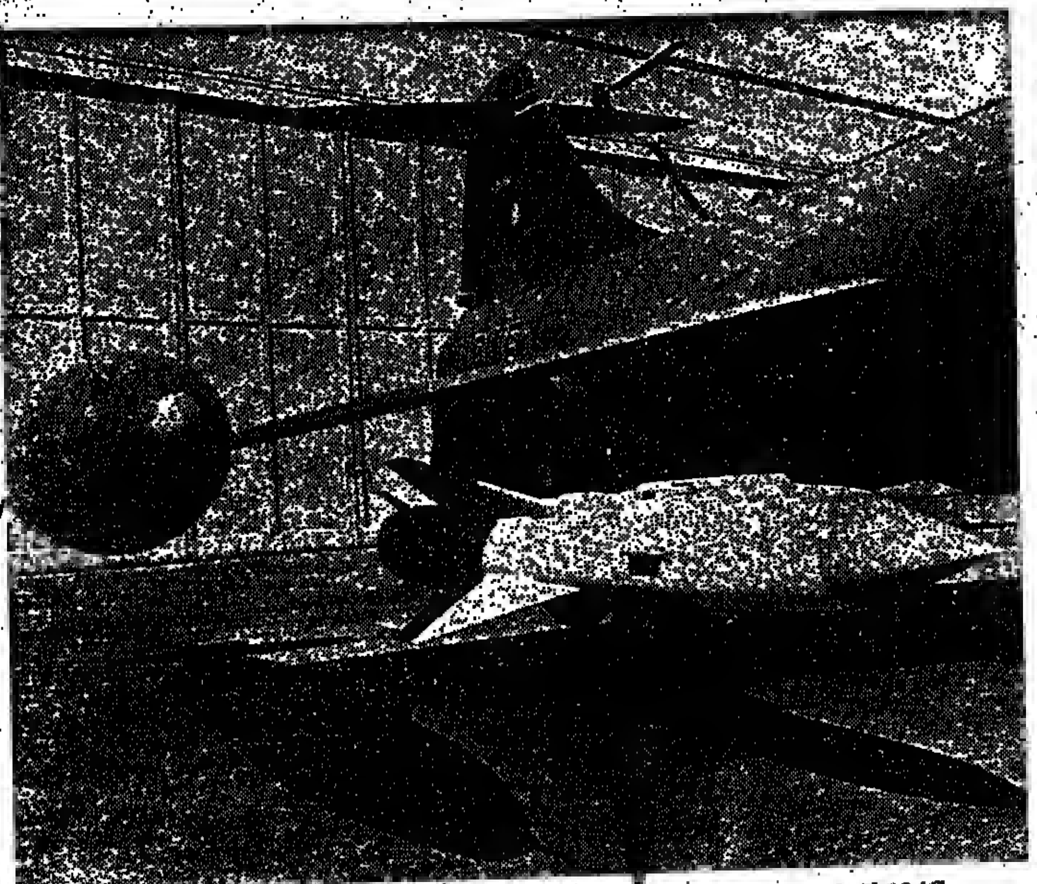
Take, for instance, the case of the neutron bomb. The novel element of this weapon, if deployed, is that it will kill people by radiation rather than destroy inanimate structures by blast. There are two main arguments against it. One is that by giving a more precise application to nuclear weapons, it might make their use more likely. This is generally known as lowering the nuclear threshold. The other is that the introduction of any new weapons system is merely another round in the arms race, encouraging the Soviet Union first to criticise and then to imitate.

Both arguments have something to be said for them, and some very distinguished Germans—General von Baudissin of the University of Hamburg, for example—have supported them. Both overlook, however, the way NATO, with the full support of the West German Government, is already committed to the possible use of tactical nuclear weapons if conflict occurs.

The case for the neutron bomb is that it could make that use more selective. Existing tactical nuclear weapons destroy indiscriminately, both people and structures. There might be some value, if one is thinking about an ongoing battle, in leaving the structure intact. In other words, it is at least necessary to consider what will happen next, once tactical nuclear weapons have been used. There might still be a battlefield, and there might still be a battle.



An infantry anti-tank weapon.



An air-to-ship weapon system mounted on the German Navy's F-104G.

Belated

Probably a great deal of the opposition to the neutron bomb stems from a belated recognition of the role that tactical nuclear weapons already play in NATO doctrine. The opposition is not to be disparaged for that reason alone. But on the other hand a decision not to deploy the neutron bomb would leave NATO doctrine unchanged. The Alliance would still rely on tactical nuclear weapons in response to a Soviet conventional attack once the Alliance's own conventional response was exhausted. The only way of changing that would be for NATO to increase and improve its conventional forces. That is what the other argument this summer has been all about.

The first, leaked, version of PRM-10 claimed that President Carter was being recommended to be prepared to concede one-third of West German territory to a Soviet attack rather than seek the kind of increased defence expenditure that would "provoke Moscow and divide Washington." The U.S., it was said, should adopt a "stalemate strategy of leaving the Soviet Union to face the political consequences of its aggression." Among those consequences were listed world opinion, UN disapproval, and U.S. mobilisation.

The report was vigorously, and probably sincerely, denied in Washington. Yet the debate it sparked off was similar to the one over the neutron bomb in that it showed once again the general reluctance to face reality.

The theory of West German defence, as put forward in successive White Papers and accepted by NATO, is that there must be an immediate response to any aggression in the area where it occurs, and that the response must be supported by as many NATO allies as possible. The theory is known as "forward defence" and the multilateral response, stemming from the number of allies with forces on German territory, is presented as the "manifest expression of the indivisibility of the Alliance."

There are sound geographical reasons why this should be so. West Germany is in that sense a very narrow country. The maximum distance between its east and west borders is only 480 kms. Nearly a third of its population lives within 100 kms of the border with East Germany; two-thirds within 200 km. This latter zone accounts for about 70 per cent. of the manpower in West German industry. It could be lost in a day if the Warsaw Pact forces were allowed to make an unfettered, or even relatively unfettered, advance.

Hence the belief that West Germany is too small to allow the military luxury of "trading territory for time" or, in plainer words, allowing the enemy to advance while deciding what to do about it. Defence must begin at the border.

It is very difficult, however, to apply the theory of forward defence if the Warsaw Pact forces are improving faster than those of NATO. The warning time for any attack becomes shorter as the Pact forces become progressively better equipped and more able to project themselves from a standing start.

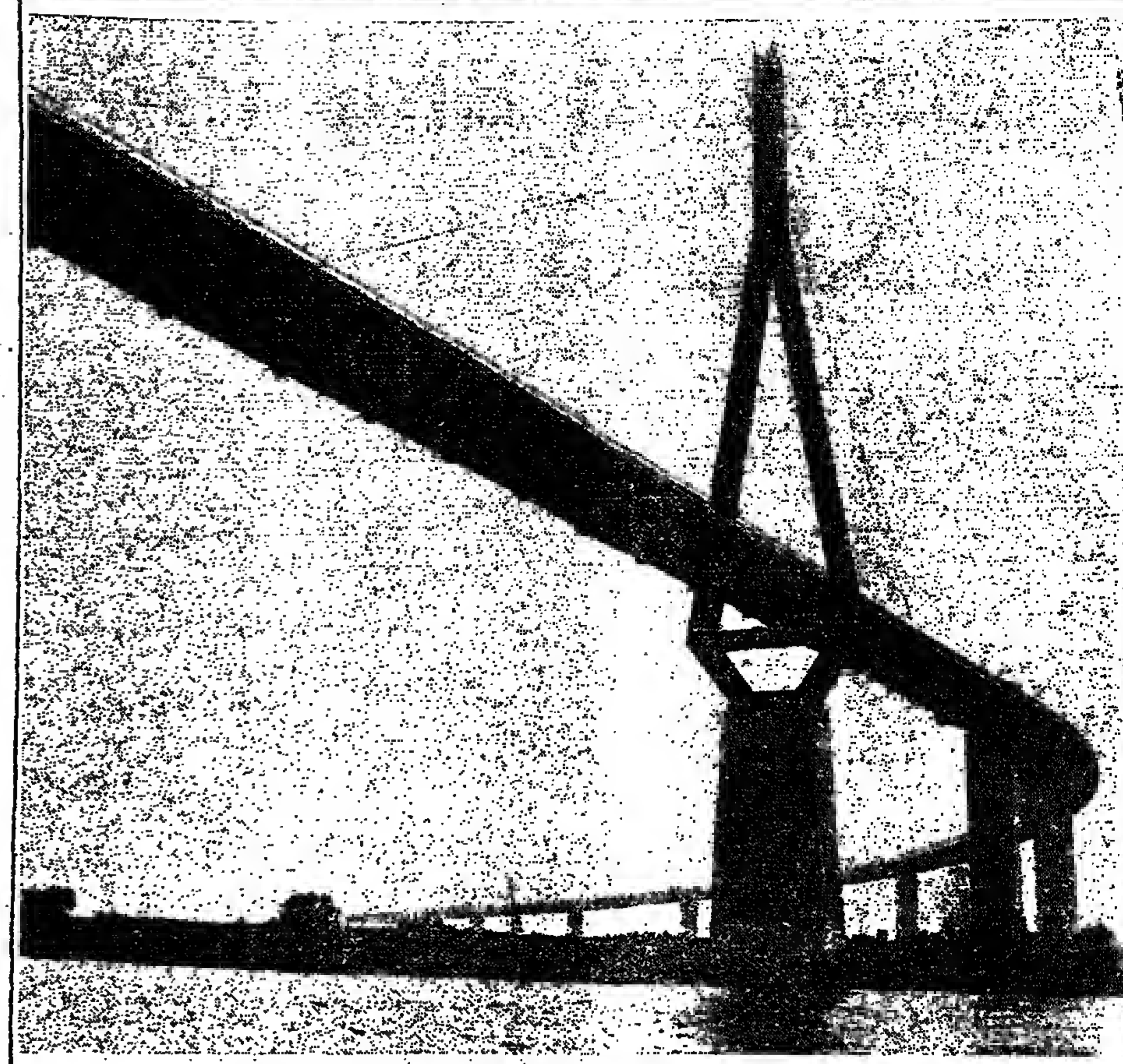
Compelled

In these circumstances NATO is compelled to consider at least the possibility that in the event of an attack some German territory might initially be lost—however unpalatable such considerations might be to the West Germans themselves. The key word is "initially." The question for Nato is how best to fight back in order to stop initial losses from becoming permanent. The literal application of forward defence requires conventional forces of a size NATO does not have available.

There is the further possibility, not so far much discussed, that the expansion of Soviet military power threatens the reinforcement routes to West Germany from the U.S. It is not just the extension of sea power into the Atlantic. It is also the rise of air power which could knock out Allied bases in Western Europe and seriously interfere with American attempts to retrieve the losses. One of the most striking facts about the East-West military balance, for example, is that the Soviet Union has developed medium-range air power that seems directly designed to cut off Europe from the U.S. NATO has not yet developed much of a response.

If it was indeed these questions that were worrying the West Germans this summer, then the West Germans were right. Yet it is also remarkable that few people have come up with any other answer than that of improving defences and maintaining the Alliance. It is a viable response so long as it works.

Malcolm Rutherford



A masterpiece of modern construction: Köhlbrandbrücke in Hamburg.

Economic doubts loom large

FROM THE outside, the West German economy seems as much a matter for the envy of its partners as ever. Inflation remains well below 4 per cent. this year, while the reserves at the end of June stood at a comforting DM85bn. If every line of credit, official guarantee and international obligation of the Federal Republic were to turn suddenly into a bad debt, there would still be over DM45bn. in hand, according to figures just published by the Bundesbank.

The D-mark, as events on the foreign exchange market have shown once again this month, remains immensely strong. Since the end of 1975 it has gained over 20 per cent. against the "market basket" of 16 major companies. The balance of trade showed a DM22.6bn. surplus for the first eight months, up 10 per cent. from the same period of 1976, though the basic balance moved from a DM4bn. surplus last year to a DM7.9bn. deficit reflecting the country's transformation into a net exporter of capital.

Yet all of this has not managed to secure confidence within West Germany. On the day earlier this month when Count Otto Lambsdorff took over as Economics Minister from Herr Hans Friderichs, an opinion poll showed that only 22 per cent. of the population agreed with official policies in the economic sphere. Against such a background, it is not perhaps surprising that some commentators are now openly expressing doubt about whether the basic consensus between unions, employers and the government can hold together.

Modest

The end of the upswing, after just two years, took most German economists by surprise, although more modest growth had been expected this year than the 5.6 per cent. in 1976. In the event, the slow-down from the fourth quarter of 1976 to the first quarter of 1977 from 6 to 4 per cent. turned into virtual stagnation in the second quarter, so that for the first half GNP grew only about 3 per cent., and is not expected to do much better for the year as a whole.

More tangible evidence has been a stubbornly high unemployment level. Original hopes that the number of people out of work would average 850,000-900,000 this year, as part of a steady decline to about half that number by the end of the decade, have been cruelly disappointed. Instead, the figure is unlikely to be significantly below an average 1m. this year, for since last spring there have been only smaller than usual seasonal improvements. In September, when 911,000 jobless were registered, to give a seasonally-adjusted ratio of 4.6 per cent., the total was actually some 13,000 higher than in the same month a year earlier.

What has undoubtedly contributed to the unpopularity of present policies, personified by Herr Friderichs, has been the belief that Government was content to sit back and let market forces do their work. While that has been true more as a matter of rhetoric than of fact, the authorities have not entirely answered the charge that they have done too little, too late. One steady source of that point of view, of course, has been the U.S. Treasury Department, seconded on occasion by Whitehall, and as recently as the informal discussions at the International Monetary Fund annual meeting earlier this month, West Germany was once again reminded of its pledge to stick to the growth targets it accepted at the summit meeting of Western heads of government in London last May.

The Bonn Government concluded in early July that it would have to act to support growth in 1978, and in mid-September announced a package of tax cuts intended to inject at least DM10bn. into the economy next year. The main features of the package as originally conceived are the quadrupling from DM100 to DM400 of the tax-free allowance to workers on the customary "13th month" Christmas bonus, the raising of the basic tax-free allowances and the raising of the rate of degressive depreciation for business from a maximum 20 per cent. a year to 25 per cent. a year. In addition, the Social Democratic-Free Democratic coalition wants to raise research and development subsidies for small firms, to pay subsidies for energy-saving building techniques, and to help people trying to start their own businesses.

Herr Hans Apel, the Finance Minister, told the IMF that the programme would ensure a growth target for real GNP in 1978 of 4.5 per cent. In order to finance the proposed package, Herr Apel is putting forward a budget which will call for a deficit of about DM28bn. next year, compared to about DM21bn. this year. Public spending will rise by about 18 per cent. in nominal terms from this year's level, or about 10 per cent. more than the growth in nominal GNP, which is expected to be about 8 per cent. on the assumption that prices increase next year by about the same 3.8-4 per cent. expected for 1977.

Extreme fiscal conservatism by the 11 states and the hundreds of local authorities below these have been the main reason why Bonn's earlier attempts at pump priming have seemed so disappointing. The prime case is the DM16.5bn. medium-term investment programme, introduced with a flourish last March as a means of both getting necessary infrastructural work done ahead of time, and of giving a hand to the chronically under-employed construction sector. As Chancellor Helmut Schmidt himself has more than once publicly complained, the state and local authorities have simply declined to come up with their share of the money.

Conservative

A similar streak of conservative economic thinking has come to the fore with the suggestion that the increase in deficit financing now proposed by Herr Apel might have the effect of crowding out of their capital market companies looking for funds to finance their investments. Even a series of solemn assurances from Dr. Otmar Emminger, the new president of the Bundesbank, that no such strain need be expected have failed to still all doubts on this score.

Several months before the Federal Government finally decided to use the fiscal instruments in its own armoury rather than rely on the always unwieldy mechanism of the states, the Bundesbank could claim to have set the sails in terms of monetary policy. For the third year in succession the central bank has set a target for the increase in the money supply, choosing among the various available aggregates the central bank money stock, for which an average 8 per cent. growth in 1977 was foreseen. The experiment of setting growth targets (as the Bundesbank still officially calls what is clearly now a permanent part of the West German scene) gave the central bank a reputation in 1975-76 for tight money policies which it has had trouble living down in some quarters.

Yet the fact is that money supply has been rising a little more rapidly than the target, to judge by the August figures just made public, while interest rates have fallen to their lowest levels since the mid-1960s with the Bundesbank's full encouragement. It has acted several times this year to ease liquidity, most recently pumping in some DM6.5bn. in late August by lowering minimum reserve requirements and raising the banks' rediscount quotas. At that time, Dr. Emminger said forcefully that monetary policy had done all it could to create the conditions for a more solid, steady recovery. It was up to politicians and businessmen to do the rest.

Will the present combination of relatively cheap money and a fiscal stimulus next year do the trick of ensuring a steady 4.5 per cent. growth in GNP next year? Most observers, inside and outside the ranks of official economists, agree that it will not unless one other vital variable is improved—the low and apparently still sinking level of confidence among businessmen. That has been expressed in a number of ways, but perhaps nowhere more succinctly than in a poll by the Munich-based IFO Economic Research Institute taken last summer, in which a majority of respondents said they expected their export sales and their investments in fixed assets to grow more slowly, and the need for workers to fall off.

On the export side, the picture is far from reassuring. West Germany's most important markets are in Europe, where several of its partners remain in difficulties with their payments situations and inflation rates. Some of its export activity has been redirected toward new customers, yet here, too, there are looming problems of indebtedness in some Third World countries, and increasing caution over some East European countries, while the OPEC States do not offer a substitute in quantitative terms. Added to all this is the strain of an ever dearer D-mark.

Domestic demand, according to Herr Otto Schlecht of the Economics Ministry, could still show some strength in the final quarter of this year. But this is not expected to make up the difference, especially once the two-year car sales boom shows signs of levelling off. The latest signs are that consumers, too, are showing their lack of confidence by maintaining a savings rate close to last year's 14 per cent.

Demand

Yet the greatest short-term uncertainty hanging over the West German private sector appears to be the future trend in wage settlements, some idea of which may become clearer as the autumn goes on. Businessmen see wage pressure as the most serious single factor on the cost side. They feel that the always unsteady equilibrium between profits and wages has been upset to the benefit of employees, and that coupled with the indifferent outlook for sales in many industries, neither increased production now, nor investment to increase production in the future, is attractive. Against this, the trade unions argue that high wages contribute to aggregate demand and hence to supporting recovery. They also claim that workers need to make up for the 15 per cent. rise in profits last year, which was nearly twice the rate of wage increases.

The argument is familiar enough. What makes it especially keen this year is the bitter tone on both sides of industry, provoked for the unions by unemployment and for management by the disappointed hopes of a recovery that never took off properly. If the new Economics Minister manages to get employers and unions together at all in the regular three-way "concerted action," he will be doing well.

Adrian Dicks

Structural problems need to be solved

THE TERM structural unemployment has passed into the language of economic debate in West Germany as a way of explaining several puzzling features of the hesitant—and now probably ended—recovery of the past two years. First, there has been the stubbornly high level of unemployment over the past 12 months. The average for 1977 will not be much below the 1m. mark, compared to official forecasts at the beginning of the year that it would drop to the 850,000-900,000 range, declining steadily from now until the end of the decade.

Second, West Germany has become aware during the present business cycle of the paradoxes of its labour market. Last month, when 911,000 people were officially registered as being out of work, there were reported to be simultaneously no fewer than 635,000 unfilled vacancies. Finally, there has been the wealth of evidence to show that companies, where they are committing themselves to new investments at all, are looking for ways to save manpower rather than to create new jobs.

What all these problems have in common is that the West German Government and its economic advisers, with the support of many bankers and business leaders, holds out little hope that they can be remedied through the "classic" response to unemployment of stimulating overall demand. In this regard the authorities and the employers are at odds with the trade unions, who firmly believe that the fault lies with the Government's refusal to use the classic remedies, not in the remedies as such.

They also believe that Bonn has too often referred to the unemployment as "structural" in order to justify what many on the Left see as the infuriating complacency of the free market economic philosophy expounded by the Federal Economics Ministry under the outgoing Herr Hans Friederichs—and in all probability under his successor, Count Otto Lambsdorff, too.

The detailed figures suggest, however, that the Government is right to see unemployment as a much more complex question than it is given credit for. In September, when some seasonal factors had helped bring the total down, 180,000 out of the 911,000 unemployed were looking for part-time work. Many of these were women. On both grounds they were unsuitable for many of the industrial vacancies booked by the Federal Labour Office. Some 43,000 were men of 59 or older, many of them office workers. A further 40,000 were handicapped, while the Labour Office believes that as many as a quarter of all those unemployed were to some degree disadvantaged in the labour market through poor health.

Dropped

Close to 100,000 of the September unemployed were young people under 20 (a figure that has, incidentally, dropped since the immediate school-leaving bulge last summer, though not far enough to cause any complacency). Finally, some 80,000 unemployed people were foreign "guest" workers, who appear often to be pushed to the back of the queue by local labour office staffs.

If these more readily identifiable categories are subtracted from the total, it would seem that about half of West Germany's current jobless might be classified as redundant purely because of the state of the economy. As in most other industrialised countries, they seem to be overwhelmingly people without skills or else skilled workers who hesitate to move house for the sake of a new job which might, in turn, prove vulnerable to the next economic downswing.

Much is predictably being written about unemployed people who prefer receiving West Germany's benefits (generous for the first year, though less so thereafter) to taking a new job. Yet there is undoubtedly strong resistance to the idea of being uprooted, in an industrial and social tradition that makes much of local community life and of long service with an employer.

In order to try to overcome this resistance, the Government last year offered mobility subsidies as part of its strategy to deal with structural unemployment. Yet there is little evidence so far to show that they have had much impact on the problem.

There are higher hopes of success from the large additional funds being made available for industrial training and retraining. In this connection, the labour office has reported increasing readiness on the part of jobless people to change their trade or profession. As many as 44 per cent. did so out of a sample taken as long as two years ago. At the same time, much effort spent on training is clearly being wasted, as shown by the finding that fully one-third of unemployed people with a qualification had never worked in the field for which they were trained.

Between now and 1981, according to the Economics Ministry, at least 500,000 new jobs, and possibly twice as many, will have to be found for the relatively late post-war bulge in the birth rate will only then begin to show up in school leaving figures, with an average of 80,000 more new entrants to the labour market each year. That suggests, in the Ministry's model, that real investment during the same period will have to rise by at least 7 per cent. a year.

In spite of what the Ministry sees as semi-automatic pressures in the direction of an investment rise, such as the increasingly urgent need to replace ageing plant and machinery, investment has remained sluggish during the recent recovery phase. In part this seems to have been due to the uncertain outlook for both export and home demand and to an unsatisfactory average rate of use of currently installed capacity.

But there is little doubt that employers are going to be looking for new techniques that will save labour. The chairman of the engineering group, Gutehoffnungs Hütte, Herr Manfred Lennings offered some figures a few days ago that throw some light on the problem: between 1970 and 1976, labour costs per hour rose 78 per cent., while prices for finished products rose by 40 per cent., or just half. They now stand at DM17 compared to DM16 for the U.S. though with the difference of a constantly rising D-Mark.

Whether or not this year's waga round will redress what the employers and the Government see as an imbalance in favour of labour during the past few years, remain to be seen. If it does not, employment figures may provide part of the answer in the next few yeers to e question being asked increasingly often: has the West German worker already priced bimself ont of the world market?

Adrian Dicks

Count Otto Lambsdorff, who took over as Economics Minister earlier this month.

Community relations

IN BRITAIN it is often called the "Commoo Market." The West Germans generally refer to it as the "European Community." But it has become increasingly evident to them that a Common Market is probably all that this grouping of western European states will be. And even the free trade which such a modest title implies will be hard to maintain.

In clear terms this means that the kind of European Community foreseen under the founding treaties, embracing e federation with economic and monetary union (EMU) and the joint policies such a condition would imply, would not be possible for the forseeable future—if at all.

This is not the public stance of the leaders of the Federal Republic—nor does it seem to be their desire. The Foreign Minister, Herr Hans Dietrich Genscher, loses no opportunity to press the case for a European union. Chancellor Helmut Schmidt and the President of France, Valery Giscard d'Estaing, have pledged to produce proposals for progress towards EMU by the year's end.

And naturally wben the European Commission's proposals on the same topic are made known, the Bonn Government will consider them closely. So far it has learnt of them chiefly through the Press, and perceives apparent differences between the views of the commission President and Vice-President.

But burrow behind the public stance to discover how the ambitious goels are to be realised and another picture emerges. It is conceivable that Herr Schmidt's public support for M. Giscard on EMU may have helped strengtben the President's domestic position. That in itself may prove to be a contribution to European unity—who knows? But that dnes not help officials on both sides left struggling to translate the apparent aims of their leaders into practice. What are they supposed to produce? Proposals for a common (or even alternative) European currency, a pooling of (largerly German) reserves, hinding commitments on interest rates and money supply? Even assuming the Franco-German political will were there, economic disparities in Europe do not allow implemcotation of such wide-ranging ideas. And if the economies were closer than they are (and the Germans readily admit there ere some encouraging straws in the wind)—what would the British say? One German suggestion is that Mr. Denis Heeley would leugh his head off.

Benefited

It is at about this point that Community officials in Brussels are inclined to lose their tempers. It is pointed out that West Germany bas benefited greatly from tbe free passage of its industrial goods to other Community states. Bonn confesses itself stumped on mooetary union because there is insufficieot economic convergence. Yet it struggles to avoid paying much more on community policies, like the regional and social funds, to help bring such convergence about.

The German answer on regional and social policy is simple. So long as the states receiving the cash are not ready to accept stringent community discipline, meaning supranational decision-making on where and bow the funds are to he spent, then tbe operation is no more than a finance transfer of very limited value. Bluntly, the Germans say they can find hetter ways of spending their money, adding in passing that there is not so much ready cesh ehont in Bonn es foreigners seem to imagine. For that West Germany et leest partly bas to thenk its federal system. Under it the central Government alone must meet EEC and other foreign bills hut the provincial states have e decisive say over the raising and disposal of revenue.

Now the Community may he enlarged—bringing more problems for all members and West Germany in particular. The Boon Government enthusiastically supported the Greek application for membership for political and strategic reasons. Having said yes to Greece it was impossible to say no to Portugal eod Spain.

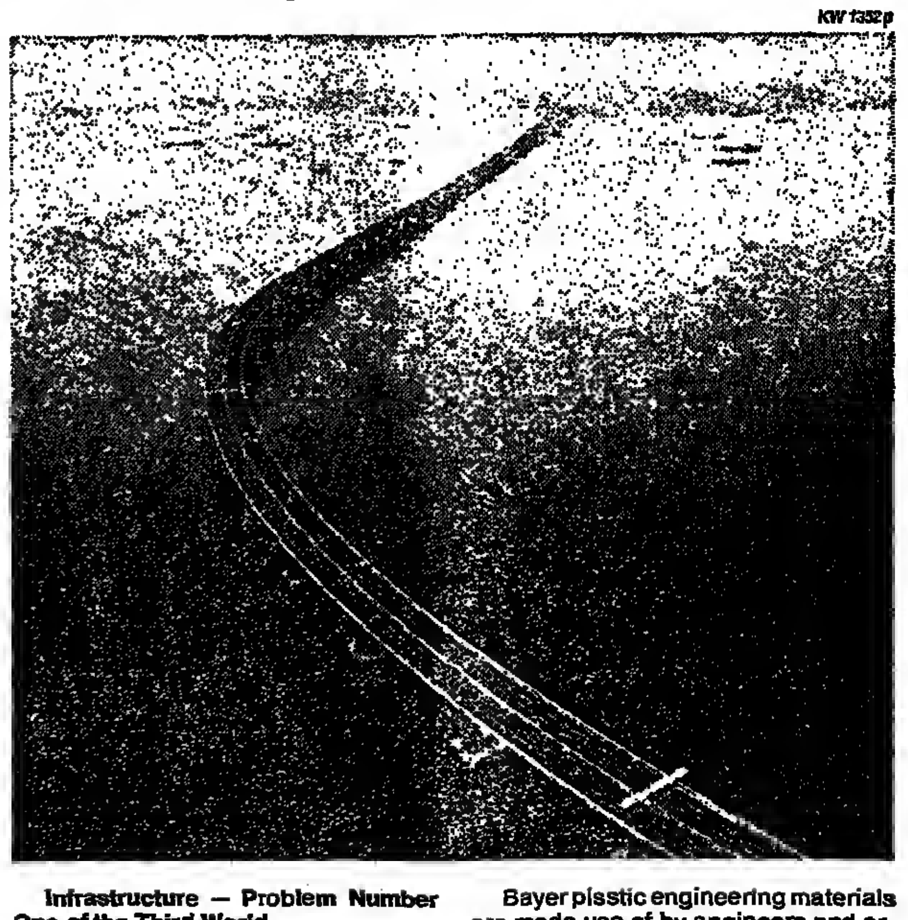
It has become commoo to bear that the Commuoity is making a political advance for which it must pay an economic price. This is no doubt in Herr Genscher's mind when be insists that the enlargement of the Community must mean a strengthening of it. But the economic problems are so large as to constitute political obstacles in themselves.

In Boon it is recognised that a huge transfer of resources would be needed to bridge the north-south gap in an enlarged Community, and at best this would take decades. In the meantime the new members will have to face increased competition not only from existing EEC atates but from third countries with which the community bas concluded trade accords. Even with lengthy transitional periods, the result is likely to be bigger economic difficulties for the members (perhaps leading to more or less covert trade restrictions) and disappointed hopes. West Germany, as the most wealthy of the northern members (assuming it manages to maintain that position over the next decade), could expect more than its fair share of the backlash.

The prospect of enlargement is already bringing new uncertainties between existing members. France and Italy are pressing for protectioo for their southern farm produce before enlargement begins. For Germany a new Commun Agriculture Policy nightmare looms. It involves more market regulations to cover southern produce at greatly increased cost—with resulting wine lakes and fruit mountains to add to the butter end milk powder surpluses. Agriculture olready takes up around 70 per cent. of the community budget—a situation which Bonn, the biggest net payer, has deplored at least as loudly as anyone. But enlargement without expension of other Community policies will increase that farm percentage, further emphesising the imbalance.

Two propositions are often advanced to set agelnst this discouragiog picture. One is that Community institutions have long been due for overhaul, and enlargement will at last force member states to act. The other is that direct elections to the European Perliament scheduled for next year will provide a new impetus for Community developmeot. It is hard to find Germans involved with the subject at all who do not greatly hope that both propositions will prove true. But it is even harder to find those confidently predicting that they will.

J.C.



Anti-trust laws under review

THE GERMAN Competition Act, last revised in 1972, is once again in the political melting pot. The Government is committed to introduce a new Bill this year based on an outline prepared by the Ministry of Economy but the controversy between the two partners in the coalition, the Social Democrats and the Free Democrats, continues quite vehemently in public and—one can imagine—even more so behind the scenes. The Social Democrats want the law to be stricter with monopolies and large companies, preventing further concentration of market power in their hands and its abuse. The Free Democrats are defending industry against what they see as excessive ambitions of bureaucrats. Both parties profess concern for the welfare of the small and medium-size enterprises—the backbone of the electorally important "middle ground."

The truth of the matter is, of course, that a period of recession is not the best of times for radical trust busters. To survive in the adverse conditions of the domestic market, the small and medium-sized concerns must be allowed to combine and co-operate. The same applies to the big companies if they are to compete successfully on world markets.

The question is whether the competition law can continue to be applied in a period of recession in the same way as during the preceding boom. Such a change in direction should be facilitated by coincidental changes in the three top posts concerned with the application of German competition law, first in the Presidency of the Federal Cartel Office, then in that of the Federal Supreme Court, and finally in the person of Minister of Economy, who has important statutory powers in respect of mergers.

A pamphlet just published by the Federal Association of Young Entrepreneurs, with a preface by the new President of the Cartel Office, Dr. Wolfgang Kartte, is entitled "Do not fear co-operation." This title is much more indicative of the way the wind is blowing than the outline of the new Bill. The pamphlet provides examples of permitted co-operatives aiming at specialisation, promotion, sales, buying, servicing, research and development and the joint use of a trade mark.

Softer

Emphasising that the statutory prohibition of cartels does not amount to a prohibition of co-operation between enterprises, the Federal Cartel Office took a distinctly softer line in the report about its activities in 1976. In addition to the exemptions provided in the Competition Act for certain types of restrictive agreements and for co-operation between small and medium-sized enterprises, the Cartel Office will in the future also consider the possibility of approving cartels between such enterprises when necessary for ensuring their ability to compete with larger companies. This softer line is also evident in the other parts of the report dealing with merger control and the containment of abuses of market power.

West Germany experiences the problems of a buyers' market and, taking account of this change in the market place, the Cartel Office has announced that it will establish a special team to deal with the problems of "buying power." Its task will be to devise means of protecting suppliers oppressed by the dictates of large departmental stores and retail chains. It will also be concerned with the dominance of large industrial consumers over their suppliers and sub-contractors, as well as the economic power wielded by public bodies when placing contracts. The Cartel Office expressed regret that those suffering under such excessive buying power of their customers had been shy about bringing their complaints into the open and providing information on which the Office could take action.

Resigning itself to the fact that it was overruled by Bonn or obliged by political pressure to abstain from prohibition when mergers were defended as necessary to save jobs, the Office declared in its report that merger control is neither a suitable instrument for preventing undesirable rescue mergers nor in danger of being made meaningless by such mergers. The law, states the Cartel Office, is also flexible enough to allow the protection of competition in the event of rescue mergers.

Signposts of modern Germany: Subways for the new underground railway in Duisburg, with the new Klöckner Steel HQ in the background.

The first impetus to the work on a revision of the 1973 Competition Act was provided by a Monopolies Commission report entitled "More competition is possible." The document, prepared by the Ministry of the Economy and now adopted by the Cabinet, does not openly reject the two most radical recommendations of the Monopolies Commission—that the Federal Cartel Office should be given power to break up large monopolistic enterprises and that banks should not be allowed to acquire more than 5 per cent. of equity in non-banking enterprises — but shelves them, stating that time is not yet ripe for discussing them. The enactment of powers for breaking up monopolies should be discussed, according to the draft, only if and when improved means of monopoly control have proved ineffective. Any decisions on measures designed to stop the growth of the industrial empires of German banks should await the report on the "Fundamental Problems of Banking" by a commission appointed by the Ministry of Finance and due next spring.

The Ministry of Economics, however, accepted the view that the large number of takeovers by 200 German companies has been reducing competition within the German economy. The Ministry was in particular opposed to penetration of industry by large companies into those sectors in which small and medium-sized enterprises predominate. It recommended that no special exceptions should be enacted for rescue mergers and that control should be extended under the present DM50m. threshold to include also the acquisition of enterprises with an annual turnover between DM2m. and DM50m. if the acquiring party has a yearly turnover of over DM1bn. The report also recommends favourable consideration of the Monopolies Commission's proposal that there would be a "legal" assumption of increased market dominance whenever at least two companies each with a turnover overstepping DM1bn. participate in a merger of enterprises whose turnover adds up to more than DM10bn.

Abuses

While conceding a certain tightening up of the law in the field of merger control, the Ministry of Economics paper seems to reflect the opposition of German industry to any new measures which would make the control of abuses of market power more effective. It suggests that the Cartel Office should continue its (notoriously futile) attempts to curb abusive pricing on the basis of the present law—more experience is required before any new legislative proposals can be made. The Ministry of Economics has also left no doubt that it is strongly opposed to the introduction of the U.S. type private anti-trust actions for those who feel damaged by monopolies or restrictive practices.

Past attempts by the Cartel Office to curb prices we very successful. Ha power of preventive c abuses, the Cartel bound to come too late it difficult to keep s introduction of "new" which are used to bl comparisons. It was fortunate in the courts tackled large pharm companies Merck and though the latter case i courts.

The Federal Suprem has been criticised b Social Democrats for ma enforcement of com rules too difficult for the Office. Since October the Court has a new Pr Dr. Gerd Pfeiffer, the firs Democrat ever to rea supreme judicial office many. Like his Prede Dr. Robert Fischer, he w chair the Cartel Bench Court. It remains to b whether the interpretati the Competition Act will any closer to the Cartel views, which, however, under a new President, Wolfgang Kartte, seem to mellower.

Still awaiting a Sup Court hearing is the GKN/ merger prohibited by Cartel Office and reprieve Berlin Appeal Court. A r on the role of financial p in conglomerate merg which is at issue in this c seems to be the main obje of the Cartel Office.

In the meantime by a promise solution, the completed takeover of Hi Hille by Thyssen Industrie been neither approved by Minister nor required to scramble. The merger had prohibited by the Federal C Office on the grounds that financial power added to Hi Hille by its integration into Thyssen Group would thre the survival of remaining i pendent competitors in the fi Thyssen applied for ministe exception, and the Monopo Commission recommended Thyssen should not be allo to acquire more than one-t of Hüller Hille equity. H ever, the Minister, Dr. derichs—now replaced by G Lamsdorf, believed to be e more mindful of industrial terests—decided that Thys should be allowed to acquire to 45 per cent. of the equ carrying voting power.

The main argument agai allowing a merger was that provides Hüller Hille w superior market power in t sector of transfer lines a numerically controlled machi tools—an engineering sec which in Germany consists medium-sized enterprises. was argued that such stre thening of one of the fir competing in this market wo lead to the search for simu affiliations with other groups firms active in the same mark

Arguments advanced favour of the merger were c cerned mainly with the sa guarding of jobs and the p tection of the nationally va able know-how of Hüller Hi which could be lost if the fi was allowed to go into liqu tion.

Andy Herman

Foreign policy

WEST GERMANY'S foreign policy, always delicately balanced between East and West, is coming out of a very difficult phase during which relations with both Washington and Moscow had seemed to turn—for quite different reasons—disturbingly sour.

Much of the uncertainty in the Kremlin over the new U.S. President and his Administration appeared to be reflected in the wariness with which the Russians chose to deal with Bonn. Contacts so far on a possible new strategic arms agreement, and the first signs of Great Power co-operation in the Middle East, as well as the avoidance of open rupture at the Belgrade Conference, have all been welcomed in Bonn as good omens for the new round of diplomacy which Chancellor Helmut Schmidt and his coalition partner and Foreign Minister, Herr Hans-Dietrich Genscher, hope to see launched towards the East this autumn.

The symbol of this "new start," about which the coalition parties have now been talking since early summer 1976, is to be the long-delayed visit to West Germany of Mr. Leonid Brezhnev, the Soviet leader. He has repeatedly indicated that he would indeed like to take up the invitation, but he has proved remarkably hard to pin down to a specific date. Chancellor Schmidt has been holding out the end of November or beginning of December as the time of the visit. Yet even after the reportedly cordial talks between Herr Genscher and the Soviet Foreign Minister, Mr. Andrei Gromyko, in New York a few weeks ago, no firm date has been announced.

In contrast to the dramatic era of Herr Willy Brandt's *Ostpolitik*, there is relatively little obvious scope for bilateral agreements with the Soviet Union, aside from formalising scientific and technical co-operation and, less certainly, taking up the complex issue of the ethnic German minorities scattered throughout the USSR. Where Bonn will press hardest is on the status of West Berlin, which it sees threatened by recent Soviet and East German interpretations of the Four-Power agreements, and on the snail's pace approach of East Germany towards new negotiations to ease daily contacts between the two German States. Here it remains axiom of West German poli that Moscow, rather than E Berlin, calls the tune.

The negotiations have been made easier by the rece renewed signs of strain with East Germany. As in the pa the Social Democratic-Fr Democratic coalition is proba far out-distanced by public dignation in West Germany such developments as the p secution of intellectuals and t police crack-down following t recent East Berlin riots. He Schmidt and Herr Gensch hold to the view that more achieved by restraint than denunciation, as they ha shewn by West German stance on human rights Belgrade.

Yet as a fresh election seas opens for several State Parli ments in West Germany ne year, the coalition will again under some pressure to sho results from this policy, or the very least demonstrate th a new dialogue with the Ea is going on from which concre gains may be expected.

Meanwhile on the trade sid

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Tr
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Trade performance remains impressive

ENTION THE word "export" d people immediately think West Germany. The Federal public contributes some 11 r cent. of the West's comsed exports—just a shave hind the United States' 12.7 r cent. and well ahead of pan's 7.4 per cent.

Few people are not impressed the tenacity with which the untry's industrial concerns ve defended their overseas les at a time when most onomic monetary measures pear to have been aimed at rbing West Germany's ports and pushing up its ports. The steady apprecian of the D-mark against the orld's other leading trading rrencies has completely failed hold back the growth.

This is not to say that it has t had a profound effect on e West German export effort. certain ways it has been a sitive help but, as many of s proponents hoped, it has used many problems which erman ingenuity has still not t entirely overcome.

Certainly, the increase in the alue of the D-mark has lowered e cost of the Federal epublic's import bill. While is has certainly opened up the arket to increased foreign ompetition, it has also stabiled the D-mark prices of dustry's raw materials nports. Furthermore, it has ade a contribution to the ederal Republic's trade surplus that the D-mark value of ports has not risen as quickly anticipated, while German xporters have more or less een able to maintain export arnings.

Another of the positive effects f the D-mark's rise is that it as forced West German ndustry to examine closely its levels of productivity. The country's labour and capital investment costs are now among the highest in the world—above U.S. levels in many sectors.

The response to this has been "rationalisation." West German companies which are heavily reliant on exports—and that is most of them—have been forced constantly to seek means of getting more out of their existing plants and workforces. Increasingly investment capital is being channelled into improving and upgrading existing plant rather than merely extending capacity. At the beginning of the 1970s, the question was asked: is West German industry getting old fashioned? To-day, the answer is: No.

But although this upwards movement of the West German currency has increased overheads in relation with those of competitor countries, it has also provided an important degree of internal economic stability. It played an important part in keeping the Federal Republic's inflation rate well below that of average western levels, and as a result there was not the same pressure as in other competitor countries for massive wage increases.

High prices

On the debit side, however, it has tended to reduce German competitiveness in world markets. High prices, coupled with powerful competition from Japan, severely cut Volkswagen's share of the valuable U.S. small car market, for instance. The chemical concerns this year have reported that the continued appreciation of the D-mark, coupled with a flat market, has curbed demand for West German products and severely squeezed profit margins.

The Federal Republic's exporters have responded to this with a greatly increased sales effort. Last year the country's exports rose by 15.8 per cent., but even so the pressure of rising imports cut the country's trade surplus back from 1974's DM51bn., to 1976's DM34bn.

A main growth area for West German experts has been the western industrial countries and sales in this sector grew by an above average 17.7 per cent. last year. Despite a continued high growth rate this decade, however, the proportion of total German exports shipped to the western industrial countries has decreased from 83.6 per cent. in 1970 to 76.9 per cent. in the first seven months of this year.

Markets in the European Economic Community last year furnished an important platform for growth with sales up 21.5 per cent. Growth during the opening seven months of the current year, however, has tailed off to 5.6 per cent., rather lower than the 7.6 per cent. increase in overall exports. The EEC has been accounting for a pretty stable share of the Federal Republic's exports for the past seven years. In 1970 it took some 46.3 per cent. of the country's total overseas sales, while the figure for the first seven months of 1977 stood at 45.6 per cent.

West Germany's export performance in the U.S. gives an interesting insight into the effect of the increased value of the D-mark on industry's competitiveness. It also probably reflects to some degree the efforts by exporters to diversify their markets. In 1970 the U.S. took 9.1 per cent. of all West German exports, but this had fallen to 5.6 per cent. by 1976. Sales growth in the market last year averaged 9.6 per cent., while the 18.6 per cent. expansion rate recorded in the first seven months of this year increased the proportion of total exports shipped to the U.S. to 6.2 per cent.

Export targets

Eastern Europe and China have been a major export target and trade growth with the planned economy countries has increased steeply since 1970 when they accounted for 4.3 per cent. of the Federal Republic's total exports. In 1976 some 6.8 per cent. of total overseas sales were shipped to these countries, although the rate of expansion was a mere 0.1 per cent. This year sales have weakened further, declining by 8.9 per cent., and in the first seven months shipments accounted for just 6 per cent. of the total. The reason for this has not been that Germany has fallen out of favour, but that the planned economy countries have heavily cut overall imports.

The developing world has also been an important target area. Since 1970 the proportion of German exports channelled to the Third World increased from 11.9 to 16.8 per cent. in the January to July period this year. Exports to these markets increased by an overall 14 per cent. in 1976 and a further 14.3 per cent. during the opening seven months of 1977.

Africa — whose share of the export total increased from 2.8 per cent. in 1970 to the current 4.8 per cent. — saw sales rise by 22.3 per cent. last year, and the tempo has only slightly decreased, to 21.4 per cent., from January to July. The importance of Asia as a customer has also been growing: it now accounts for 8.7 per cent. of German overseas sales compared with 5 per cent. in 1970. Exports to the area rose by 19.1 per cent. in 1976 and in the first seven months of this year maintained a 14.8 per cent. growth.

But West Germany's most impressive export performance has been with the oil-producing nations. Since 1970 sales to these countries have increased by about 650 per cent. The proportion of German exports shipped to these markets has gone up from just 2.3 per cent. in 1970 to the current 9.1 per cent. Sales have not been easy, particularly in view of the severely restricted transport systems in many Middle Eastern and African oil-producing nations, but Germany's success in the area has substantially offset the increased costs of its oil imports.

As can be expected sales expansion in this area has tailed off from 1974's heady growth rate of 76 per cent. In 1975, the increase was 60 per cent., while the 1976 rise was a more sedate 25 per cent. In the first half of the current year, however, exports to OPEC were once again on the increase with a growth of 31 per cent.

This year some West German industrialists are expecting overseas sales to grow by about 9 per cent. A poll published by the Munich-based IFO Economics Institute last month indicated that industry feels that export growth is likely to exceed the increase in domestic turnover estimated at 6 per cent. Another report published in June by the DIW Institute in Berlin, however, estimated that exports were likely to rise by between 7 and 8 per cent.—at about the same rate as that of world trade. The first seven months' figures tend to lend credence to the more pessimistic estimates.

Next year, according to the IFO poll, there is likely to be a slight slackening in the growth of sales abroad with exports rising by about 8 per cent. It is possible, however, that industrialists are feeling a little more confident as the poll took place before the September Government measures to stimulate the economy. Even so, growth prospects vary from sector to sector. The motor industry, for example, is expecting a slower rate of improvement in its foreign sales, whereas the engineering and electro-technical concerns are expecting a faster climb.

Guy Hawtin
Frankfurt Correspondent

Cars awaiting export at Hamburg.

A VFW 614 jet, built at Bremen, in Cape Palmas, Liberia, during an African sales tour.

Foreign policy

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where Herr Brandt's initiatives to the East were followed by spectacular West German orders, there is now a much more sober view. Some large new deals with the Comecon countries are certainly expected, but West German companies are now less keen on the terms they are often obliged to accept, and hae been forced to recognise the limitations on East European purchasing power imposed by hard currency shortages and the heavy debts to the West.

If the political atmosphere has cleared somewhat in Bonn's relationship with the East, it has also definitely changed for the better in its dealings with President Carter. On a personal level Herr Schmidt and Mr. Carter got off to a bad start, not least because the Chancellor had been quoted as saying he would have preferred to see Gerald Ford win last year's Presidential election. Since Herr Schmidt's visit to Washington last summer, and still more after Mr. Carter's demonstrative support for Bonn in its recent terrorist ordeals, there has clearly been a welcome improvement.

On the level of policy too, much of the tension has gone out of the relationship between the two strongest members of the North Atlantic Alliance. West Germany is going ahead with its sale of an entire nuclear industry, including "sensitive" fuel recycling technologies, to Brazil, but has joined other Western countries in setting strict limits on future sales. With the cooling of tempers all round, German doubts about the U.S. as a long-term supplier of uranium fuel for its nuclear power industry also appear to have been allayed.

International economic policy has provided another area of consistent disagreement between Bonn and Washington, with the Americans still apparently unconvinced by West Germany's contentions that it has contributed more to the world economy by maintaining domestic stability than it could do through inflationary attempts to boost demand. Bonn is ready to accept that much of the U.S. reproach to the hard-currency countries for not doing enough to lift the international economy is really directed at Japan.

Yet there is also considerable resentment at the failure not only of the Americans but of Germany's other partners to understand the impact on German exports of the 20 per cent. rise in the DM in under two years, and there is outright concern at the inability of successive U.S. Administrations to get to grips with serious energy saving policies—the factor which Germany sees as principally responsible for the slide of the dollar.

Meanwhile the seemingly unending wrangles over whether West Germany is doing its bit for the world economy has tended somewhat to obscure the increasing diplomatic role it is undertaking, both on economic and on broader issues. Herr Genscher's speech to the United Nations General Assembly at the end of September ranged over the now very broad range of international questions on which Bonn can no longer afford to appear meekly to follow the U.S. lead, even though its views are seldom at variance with those of its partners.

The Middle East is one case in point. A second is Southern Africa, where West Germany has readily gone along with the European code of conduct for companies operating in the Republic, as well as being one of the five Western Security Council members involved in the Namibia independence negotiations.

Herr Genscher himself has also recently been trying to reach out into other areas, making a whirlwind tour of South-East Asia, Japan and China earlier this month, though with reportedly disappointing results from his stay in Peking.

Of all the areas of foreign policy outside its traditional relationships with the European Community, Washington and Moscow, however, none is more important to West Germany at present than the North-South dialogue. It is no coincidence that Herr Brandt, although no longer a member of the Government, has agreed to chair the newly established commission, intended to give the process fresh thinking and greater political impact.

As Herr Genscher's UN speech indicated, West Germany's view of the "new international economic order" is that it must remain firmly within the bounds of the market economy, while still making possible a real transfer of resources and technology to the developing world. In practical terms that means for Bonn opening industrialised countries' markets to developing countries' manufactures, stabilising commodity prices and if necessary, setting up commodity agreements, and further increasing aid, which in the German case will amount to about DM3.8bn. in the 1978 budget year. On the multilateral side Bonn has pledged some DM2.8bn. to the International Monetary Fund's new "Witteveen facility," in which it will be the third largest contributor after Saudi Arabia and the U.S.

A.D.

Banks face domestic criticism

WEST GERMANY'S universal banks are not without their critics. Foreign bankers, sometimes enviously, often accuse them of stifling competition, while within West Germany itself, concern has been expressed that their powers may be too sweeping and their influence over the country's industry too great.

Indeed the banks have a breath-taking freedom of operation. They offer the entire gamut of banking service under one roof—uninhibited by the sort of restrictions in force in Britain and the U.S. which separate deposit banking from the investment institutions.

The Federal Republic's universal banks own a hefty—although near impossible to estimate—slice of West German industry. At the same time they act as investment advisers and stock brokers, channelling the small and not so small investors' cash into the securities markets.

Currently, a hard look is being taken at the universal banks and their modus operandi. The Monopolies Commission, an advisory body which monitors competition in the German economy, has expressed considerable disquiet about the banks' shareholdings. The tangled skein of interlocking holdings in industry could reduce competition, it is feared.

Complicated

But without wishing to pre-empt current investigations or prejudging the very complicated issues involved, the universal banking system has very positive advantages. Admittedly, the major banks' power has not always been used diplomatically, but without the system it is hard to believe that post-war German economic history would have been quite as impressive as it has been.

The universal banking system was not the inspiration of any one man or the result of a single period in history. It developed pragmatically, fulfilling varying needs. The vast industrial holdings, for instance, were not so much deliberately built up as forced upon them. The banks were left with large quantities of virtually valueless equities, lodged as security against advances, at the end of World War One and, again during the 1920's depression. The process repeated itself at the end of World War Two and the banks had little option but to try to rebuild the companies in order to protect their investment.

At the end of 1975 the nominal value of all German-quoted shares outstanding was DM73.8bn. Of this, the West German banks directly owned shares worth a nominal DM5.5bn. However, the total nominal value of the shares controlled by the banks was DM42bn., as normally they see it as their duty to vote shares held by them for clients.

The control the banks exert on industry through the ownership and stewardship of equity is only a part of the picture. West Germany's Capital Assets Tax has encouraged the country's industry to fund itself through borrowings rather than by issuing equity, which, in view of the tax in perpetuity, can often be very expensive money indeed.

Naturally, companies rely on the banks to provide them with the cash to keep the wheels turning and, because of the high ratio of debt to equity, expect understanding treatment when times are thin. In return, bankers serve on the supervisory boards of many concerns in which there is no bank equity participation and play an important role in formulating—or at least approving—corporate policy.

Part of the price they have had to pay for this substantial influence they exert over industry is that when a large industrial concern gets into trouble the banks are allowed little choice but to step in and pick up the pieces. The banks themselves tidied up after the Herstatt debacle and their work in the industrial arena is well-illustrated by the AEG-Telefunken rescue engineered by the late Herr Juergen Ponto, chief executive of the Dresdner Bank and one of the most impressive figures in post-war German banking.

In the short-term, these rescues are unattractive propositions and without the universal banking system it is hard to imagine that banks would be able to undertake them. As it is the banks' activities in other spheres usually enable them to meet the initial costs comfortably.

It is occasionally argued that these rescue operations are extremely attractive for banks which can afford to take a long view of things. Indeed, shares taken up by the banks—when, it has to be emphasised, no other investor would be prepared to do so—have often turned out to be very good investments. Against this, it must be said that the banks are, after all, profiting from their own enterprise and if they were not there to play Sir Galahad the Federal or State Governments would have to do the job themselves or face the consequences of letting the companies go to the wall. In West Germany, it is still the principle of government to stay as far away from industry as possible.

Another criticism levelled at the universal banks is that their control of the equity market has discouraged the small investor. This, of course, begs the point that very few people in countries outside the U.S. have done anything to encourage the small investor for a very long time. There are very few brokers in Britain willing to devote much time to servicing portfolios worth £5,000 or less.

However, many small investors choose to invest in industry through the shares of the banks themselves. Naturally, these do not tend to be speculative investors but rather people looking for a safe place to put their savings. The advantage of shares in the major banks is that their activities and sources of earnings are so diverse that profits rarely take a major beating, dividends compared with share prices are reasonable and capital growth prospects are good.

West Germans, it has to be admitted, are not the most enthusiastic of small investors. Interest in the country's unit trusts—most of them under the wings of the banks—is increasing from a relatively low level, despite quite creditable performances over the past decade by many of the leading funds. Most Germans still prefer traditional savings accounts and certificates which pay certain but unspectacular rates of interest. Inflation has not reached levels where it might drive them to seek better paying alternatives.

Competition

On the question of competition, it has to be admitted that within the individual banking sectors it is not particularly strong. But there is very tough competition from sector to sector between the various types of banks.

There are three main banking systems in the Federal Republic and each operates on a universal basis, offering, with certain restrictions, the same services as its rivals. There are the commercial banks (including the regional and private banks), the savings bank Girozentrale sector and the co-operative bank/Zentralkasse network. These are supplemented by the wide-ranging activities of the Bundespost, the federal post office, which offers Eurocheques to customers as well as a very fast cash transfer system. It is not, however, allowed to grant overdrafts.

Bundesbank figures at the beginning of this year indicated that the balance sheet total ... banking sectors ... DM1,577.3bn. Of ... commercial banking ... accounted for some D... —nowhere near as ... Girozentrale and savings ... aggregate balance sheet ... DM616.2bn.

While they are la... commercial lending ... profit-orientated co... banks have been by n... having things all th... way. They have bee... tough competition fr... public and co-operative ... for profit is not the ... motive. The Land... whose job is to redep... excess liquidity of the ... banks and act as house... to the governments ... federal states, have be... croaching successfully o... mercial bank territory.

They are very large indeed—the biggest come... in size to the Deutsche ... the large commercial ... and have very subs... muscles to flex. Recentl... international field in co... lion with their comp... rivals. While not all of ... ventures have been a ... success, they are fast bu... up a body of expertise, ... by judicious poaching o... commercial banks' staff. ... are certain to become a ... force in the market in th... far distant future.

Protected farming confounds the CAP

IF THE principles of the Common Agricultural Policy (CAP) had been applied to West German farming from the inception of the European Community, the whole face of rural Germany would have suffered a revolution. The multiplicity of small farms would have been replaced by very much larger units able to withstand the competition from the lower cost enterprises in France, the Netherlands and now Britain, Ireland and Denmark. The rural communities would have had to find employment in the towns and possibly the whole political spectrum of the country could have changed in consequence.

But there has been no competition. Since 1969 West German farm prices have been protected by the Monetary Compensatory Amounts (MCAs) which have acted as a protective tariff against Community imports, while at the same time subsidising the exports of German produce to some other member countries, including Britain. The reason for the MCA has been to protect German farmers from the effects of the revaluation of the D-mark, and it is almost certain that had there not been such an excuse some other means would have been found to protect their essential well-being.

The present MCA on Community food imports amounts to 7 per cent. to which is added the differential according to the Green rate of the exporting country. For instance, in the case of the U.K. the total MCA against exports to Germany would amount to about 40 per cent. By the same token German beef when exported to Britain can carry a subsidy of the same amount. Until these monetary confusions can be rectified, there can be no real CAP.

Pioneers

Technically German farming is well up to the best European standards. Yields of crops and stock are good, and the country is more than 70 per cent. self-sufficient in temperate food-stuffs. Indeed some of the larger farms, particularly in Schleswig Holstein, are pioneers in crop production and an example to all Europe.

The interesting thing is that these new systems, particularly for arable farming, are replicated on many of the smallest and fragmented of farms, so that there is no element of peasant farming such as still to be found in parts of France's Massif Centrale or in Italy. Everyone uses the latest machinery and methods, and the only difference between a 1,000-acre farm in the north and a 10-acre holding in say, Baden Württemburg is that the latter is, in terms of the use of labour and mechanical resources hopelessly inefficient.

In most European countries since the war policy has been to get rid of uneconomic farmers by pensioning them off or retraining those displaced to work in industry, while at the same time, enlarging the farms of the remainder so that they can become viable. In most countries this has meant a drift away from the land and into the towns. But in Germany there has been no such drift. Instead, as a deliberate policy, industry has been taken to the countryside in a big way. Part-time farming has been encouraged and in most areas there is work available for the rural population within reach of their homes. Something like two-thirds of the farming population are part-timers.

Although considerable efforts have been made in restructuring fragmented farms, together with a refusal of State aid to those which cannot produce at least a minimum income (at present about £2,000 a year equivalent), German farmers still cling to their land and look like doing so for a long time yet.

Dividends

This policy has paid dividends during the current recession. An unemployed part-time farmer has at least something to do while idle. He has roots and possessions that are denied an urban artisan, and thus he will be less inclined to go in for radical political change. ... rural vote is possibly a ... sive factor in some Länder ... no German Government is l... to antagonise it just for ... sake of principles laid dow... the Treaty of Rome.

Dr. Ertl, the Minister of ... culture, at one time a f... critic of the CAP, rec... defended it before a Ge... audience by pointing out ... although Germany, through ... CAP, might have to pay pa... the bill for the French ... Italian wine lakes, these ... tries had provided a rich ... ket for German industrial ... ducts. He might have adde... that FEOGA, the Agricul... Fund, would have to pic... the tab for the disposal of ... man surpluses, which in ... instances were considerabl...

At the end of Septe... there were in West Ge... intervention and other s... just over a third of the ... munity's butter, two thir... the skimmed milk powder ... 40 per cent. of the beef. ... posing of these, either w... the Community or to ... countries, will be a conside... drain on FEOGA. It is ... always clear if these stock... originate within the Fe... Republic, or are imported. ... other member countries be... of monetary advantages, bu... great bulk of them are beli... to be of domestic origin.

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Stock market sure but unexciting

IN THE West German stock market 1975 was the year of recovery from oil-shock despondency; 1976 was the year when the market sagged because the economic recovery did the same; 1977 was the year when both the economy and the stock market plodded onwards and opwards resigned to the thought that the old pattern of full-blooded economic upturn appeared to have faded. As this survey wnnt to press the Commerzbank index was standing at 790, about 8 per cent. up on the yaar, but still short nf the 900 barrier that was breached for the first and only time in tate 1969.

This performance was not a major surprise to the market's participants. At the turn of the year investment managers were already infected by the general atmospbere of doubt that has suffused Germany'a industrial and financial circles for most of this year. They were saying that there was a thirsty stretch ahead and that tbings would only gradually come right for the German market. They have been proved rigbt, fnr it was only after the Government's economic package in September, which may belp industry and will put more money into the consumer's pocket (and which was pooh-poohed by Frankfurt as it was teaked out), that the market began the climb that has brightened things of late. Perversely this climb continued through terrorist outrages that sent shudders through German society.

Despondency

But though the market's performance was in keeping with the general air of economic despondency, it was nevertheless a particular source of disappointment in 1977. For this was the year when the market was supposed to benafit from, or at least discount, the first fruits of a reform of corporation tax whose main purpose was to restore German industry's willingoess to finance itself through the issue of shares, rather than with debt, and to restore the public's will to buy those shares.

Foreigners tend to forget wbat an underdeveloped stock market West Germany has. There are only 460 companies quoted on the eight West German bourses, compared with around 2,700 quoted on the U.K. stock exchanges. German stock analysts say that of these companies only 20 account for about two thirds of the trading volume. The stock turnover of alt the German bourses is only two thirda thst nf London in cash terms and one tenth that of New York Stock Exchange, despita the fact that the German economy is one qnarter the size of that of the U.S. What is more, the number of German companies quoted on the German bourses has dropped so far this decade from about 600 to its present level, and during that time only two companies of any moment bave come to the market in a country where powerful private companies are not difficult to find.

Througb years of economic well-being the stock market bas been largely ignored by German industry as an aveoue to long-term finance. The result to-day is a bigh average level of financial gearing in industry wbicb does not give companies the financial cushion tbey need to survive and adapt to a time of prolonged recession. Tha share capital plus reservea of the average AG (Aktiengesellschaft) now account for just 30 per cent. nf balance sheet total, compared with 43 per cent. in 1954.

There are a nnmber of reasons for this state of affairs. The German economic reconstruction took place on the basis of bank finance, and once industry was clearly on the road to success there was little incentive tn change this basis. The German public, according to German bankers, tend to shy away from speculative investment and regard the ups and down of a stock market witb mistrust. Tha IOS story in the late 1960s did little to dispel these reservations. Tha rules nf German stock excbanges demand that a company must have been in business at least five years and must have equity capital of at least DM250,000 before it can be listed. So the rich German public is oot able to be a source of venture capital except in a private company.

But the reason that is most ofteo cited is the tax system that has now been changed. The old system involved double taxation—corporate and personal—of distributed profit. This meant that 6xed interest financiog was generally cheaper to the company than equity fioancing. The Bonn Government grew concerned about German industry's shrinking equity base and decided to remove this disincentive. Unfortunately it did so with a complicated tax rebate scheme that has probably made shares an even more mysterious investment for the man io the street than they were before. The scheme also produced no effective yield increase for foreigo investors, some of whom are much more disposed towards share investment than the German investor.

This tax reform clearly has potential io the long run to improve the importaoce and liquidity of the German bourses. At preseot there are said to be only about 40 stocks with sufficient liquidity to interest the institutional investor. It is also difficult for an institutional fund manager to find stocks that will move against the market tide. The reason may be that it is difficult to find stocks that represent new treods or technologies: such companies tend to be parts of much larger corporations. Siemens, for example, is one stock through which the German portfolio manager can buy German advanced technology. But it is said that most funds are just about as fully invested in Siemens as they can sensibly be.

The slack state of German industrial investment that has been characteristic this year has not encouraged Germsn corporations to come to the equity market even if it were now theoretically more attractive to do so. Rights issues in the first half of this year were running at a level far below that of 1976, which was in turn a poor year for such issues when compared with 1975. There was a bit of a pick up in the third quarter, but it is clear that the total for the year will remain low.

Optimistic

The market's performance since late summer does, however, suggest that a more optimistic tone is creeping into Frankfurt's assessment of the future. The consumer spending statistics have been looking better of late and this provides an underpinning for a market that has, over the last three years, reflected Germany's economic hopes and disappointmeots very faithfully. Thanks to the tax reform the situation has now beeo reached where the yield oo shares and the yield on stocks are about even at around 6 per ceot. This parity makes German shares a sure if unexciting investment for the coming year.

Nicholas Colchester

Trading in progress in the Frankfurt Stock Exchange.

Farming

CONTINUED FROM PREVIOUS PAGE

The existence of these large and growing stocks is a measure of the technical excellence of Germao farmiog, and also a reflectioo of the quality of German soil. It is, I think, certainly far superior to that of the U.K. because with the same overall land area West Germany has some 6m. more acres of first-class arable. In terms of livestock production too—that is, dairy products and meat—German farmers use a much lower proportion of imported feed and more local fodder than Britain's.

The implications of this are most important for the future of the EEC, and the CAP in particular. Some member countries had expected that Germany would, like Britaio in the 19th century, provide a market for their exports of food while remaining the workshop of Europe. But this does not look like happenlog for a long time, if ever. Even if monetary unity could by some miracle come about, there would still be the problem of persuading the German farmers to accept common prices and dutifully to fade away into industry.

Nor if they did give up would it be the end of the matter. All agricultural history has shown that while lower prices do discourage production in the short-term, they can also stimulate it, as farmers reduce their unit costs by increasing output. Streamlioing agriculture would be likely to increase Germany's degree of self-sufficiency eveo more, and so perpetuate the problem.

John Cherrington

A Hamburg dry dock

Shipyards fast running out of orders

FOR WEST German shipbuilders, another lean year is drawing towards its close. with little prospect tbat the following one will be much hetter. Few of them would disagree with Herr Michael Budczies, a director of the Hamburg yard Blohm und Voss, when he described his company at the end of the summer as "living from hand to mouth."

The industry's woes are familiar enough tn its competitors in Britain, or Indeed in any of the older shipbuilding nations; capacity that was increased too far, too fast during the late 1950s and early 1970s, and competition from the newer shipbuilding nations, headed by Japan, that is increasingly bard to overcome. In the first half of this year, West Germany's share of tntal newly ordered tonnage nf 6.8m. fell to barely 3 per cent., compared with the 6-8 per cent. to which it had been accustomed over many years.

Such a relative decline in the market share of a nation used to thinking of itself as a shipbuilding "major" would he serious enough. It has formed part of an absolute drop in the West German shipbuilding industry's workload. however, that has been so sharp as to lead the shipbuilding industry federation to pose the blunt question in its last annual report of whether the industry can survive at all unless conditions improve. At the very least, accnrding to the Federation, many of the 74,000 jobs in West German shipyards are likely to be lost unless the constant decline in orders is reversed.

Tbat point has not yet been reached, but the most recent statistics suggest it may not be far off. During the first half of 1977 tbe Industry delivered 97 new vessels, with a total tonnage of 965,725 tonnes and wortb DM.2.85bn. (£710,000). During tbe same period, however, new orders were received for only 65 sblps, totalling 189,456 tonnes and worth DM.900m. The total order book stood at about 1.5m. tons worth DM.6bn. in the middle of the year. Capacity use is expected to reach only 70 per cent. this year and, according to the Federation, could fall still lower In 1978.

Lucky

The sharp contraction in activity that all these statistics illustrate is, moreover, taking place within an Industry that has already gone through a considerable amount of rationalisation, forward-looking investment and consolidation in recent years. Until a few months ago, German shipbuilders could reassure themselves with the reflection that this process, painful enough in itself, would protect them hecause of the degree of specialisation in high-value ship types they had been able to introduce. This has been partly true. The West German yards did not go all out for super-tankers, but concentrated also on other specialised types of vessel such as container ships and roll-on roll-off carriers. Even those yards which invested heavily in super-tanker capacity have managed tn show the flexibility needed to turn to other types of work — and have counted themselves lucky to get anything.

Some shiphuilders, such as the Krupp-owned Bremen yard, AG-Weser, express qualified optimism that they can survive a dry stretch without mass lay-offs. Others warn of short-time working within a few months, with the clear danger of large-scale redundancies looming. In such a situation both the West German Federal Government and the federal states in which the shipyards are situated would find themselves under huge pressure to help out.

For the time being, however, Bonn is putting its faith in more indirect methods of keeping the shipbuilders afloat. First, there is the continuing attempt through the OECD to force Japan to yield up more of its 56 per cent. share of the world market to other countries, and to strengthen the code of behaviour embodied in the OECD minimum credit agreement. West German officials strongly support the agreement and would like both to see its terms extended among OECD member states and to bring in such non-OECD competitors as South Korea or Brazil.

Second, the Federal Government is doing what it can to bring the shipyards more work —although it has received more grumbles than thanks for its efforts so far. One measure has been the acceleration of the naval warship programme. Another has been the tacit abandonment of an old principle of West German economic aid to the Third World—that of avoiding linking largease with orders for West German industry. During 1976 DM172m. out of the development aid budget was channelled back to West German shipyards as part of total orders from recipient countries worth DM389m. About DM130m. out of the current year's aid budget is expected to find its way back in the same fashion.

A further DM540m. is likely to be pumped into the West German shipbuilding industry through the development aid mechanism. This is the sum originally set aside for subsidising shipbuilding export credits' interest rates to bring them down to the OECD minimum levels. Now that international interest rates bave fallen close to this 8 per cent. a year range, Bonn is looking for another way to use the money to help its shipyards consistent with the OECD pact, and is expected to use some device that further increase the gift [...] ponent in Third W[...] countries' orders to [...] German yards.

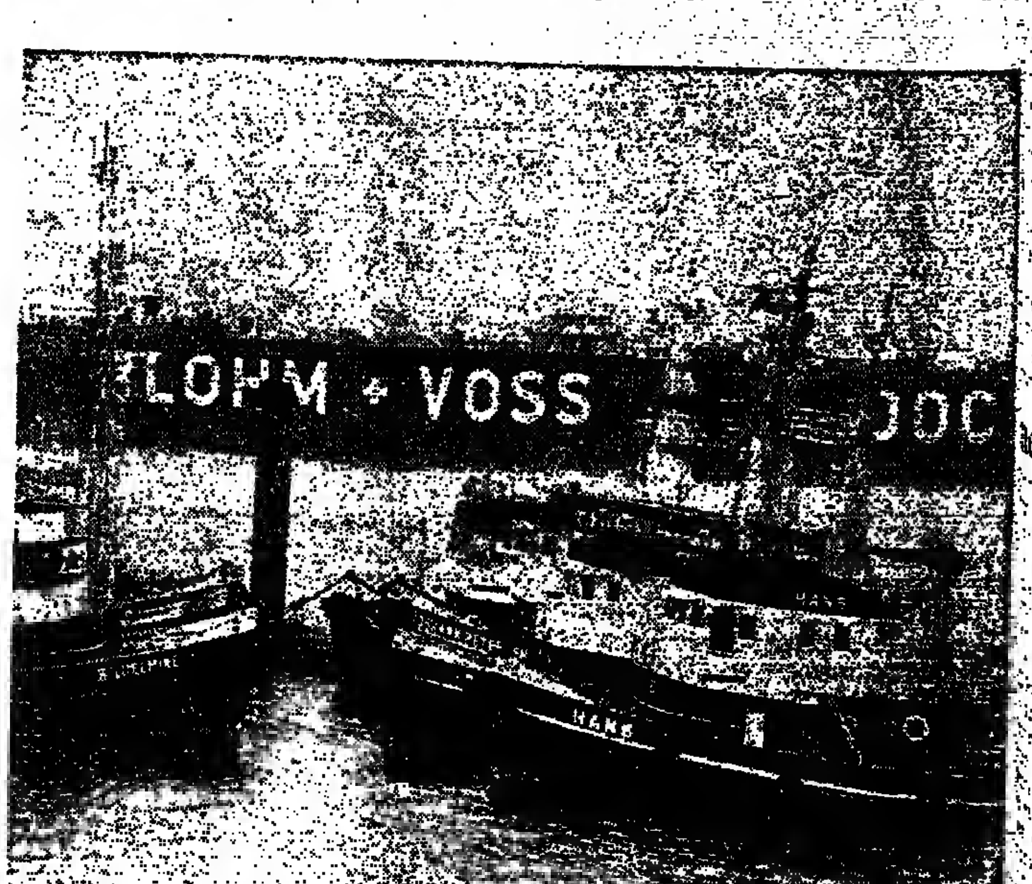
Finally, the Govern[...] assists West German shipow[...] in buying from West Ger[...] yards, and last spring raised subsidy level from 12.5 per c[...] to 17.5 per cent. of the valu[...] each order. The shipbuild[...] however, have expressed [...] appointment that the incr[...] was not larger, and have [...] regularly chided West Ger[...] shipping lines for not pla[...] more than about half of [...] aggregate orders with dome[...] yards.

Logic

The West German shi[...] lines, no less than others, [...] been driven away from G[...] yards by the logic of [...] marketplace. High wage [...] have had some part in [...] German shipbuilders' p[...] but more important has [...] the remorseless upward m[...] ment of the Deutschemark [...] the widespread belief tha[...] will continue rising ag[...] other currencies. To ship[...] contemplating placing an o[...] this factor must weigh hea[...] the longer the interval be[...] delivery—and it is often [...] for precisely the [...] types of vessel in which [...] yards have songht to excel.

Perhaps more important [...] West German shipowners is t[...] uncertainty that hangs ov[...] their business. Although o[...] 11th among the world's me[...] chant fleets, West Germany [...] fourth largest in the number [...] container vessels and is ov[...] whelmingly modern, with [...] per cent. of registered tonn[...] less than ten years old. Yet [...] is being faced with ev[...] harsher competition from E[...] European fleets—against whi[...] shipowners are demanding co[...] certed action by Weste[...] governments. And still mo[...] daunting, it has to recogni[...] the possibility of a further slo[...] down in the growth of wor[...] trade. In spite of the urgin[...] of both the Government and t[...] shipbuilders that it shou[...] invest more, the shippi[...] industry has had a difficult t[...] years and does not show a[...] signs of being about to go on [...] spending spree now.

A.I[...]



"Living from hand to mouth": A Blohm und Voss dock in Hamburg.

Nuclear plans delayed by opposition groups

...NG analysis of the ...y of the opposition to ...ar energy in West Ger... was offered by an execu... of Kraftwerk Union at the ... last month. Dr. Werner ... told a joint U.S.-German ... on nuclear power ... public that direct or ...ect intervention by "citi... groups" had prevented or ...yed investments amounting ...M20bn., and cost or put at about 250,000 jobs. "In this ...ect," Dr. Rudloff commen... dryly, "the nuclear opposi... movement may well be ...d successful."

...e policy for securing future ...gy supplies arrived at by Bonn Government early in ...—before the dramatic oil ...e increases—assumed that ...ear energy must meet most ...he growth. As a proportion ...rimary energy consumption, ...as expected to grow from I ... cent. in 1973 to 15 per cent. 1985. By then it would ac...t for 45 per cent. of in...ed electrical capacity. This ...nt that W. Germany must ...d up to 45,000-50,000 MW of ...lear plant by 1985.

...he oil price increases later ... year, and consequent ...isal of interest in energy ...servation, has inevitably ...lified these forecasts. Earlier ... year the Bonn Government ...sed its figures on the ...umption that energy demand ...985 would be about 10 per ...t. lower than the 1973 total.

...elays

...lore significantly, however, ... could no longer rely on ...lear energy to meet most the growth. Delays in build... and hold-ups in operating ...lear plants, together with ...rited opposition to plans for ...sing the fuel cycle in Ger...ny, forced the government to ... conclusion that it simply ...ild not achieve the installed ...acity originally forecast. But ... warned that Germany could ... itself short of energy if the ...talled nuclear capacity fell ...ort of 30,000 MW by that year.

Just how serious the hold-up ... proving on the construction ...le is illustrated by a state...ent made when the annual ...port of Kraftwerk Union was ...leased in June. Of the ten ...clear power contracts in ...rmany won by KWU in 1974 ...d 1975, work could proceed ... two only. Opposition was not ...st to nuclear construction but ... all kinds of power stations. ...s a result, orders for turbo...enerators sets for German ...ilities last year amounted to only 450MW, where 6,000-7,000 MW might have been expected.

At the Federal Ministry of Research and Technology, which sponsors nuclear energy, the problem is seen basically as one of the uncertainties of an industry which is just reaching adolescence. "We should not forget," said Dr. Wolf Schmidt-Kuster, senior official responsible for nuclear energy, at the Salzburg nuclear conference in May, "that the commercial introduction of nuclear power into the electricity market started less than 20 years ago and the delays we are facing at the moment amount to a period of only two or three years, a comparatively small figure, taking into account the importance of this source of energy."

Nuclear plant construction in Germany is in the hands of Kraftwerk Union (KWU), a Siemens subsidiary with about 14,000 employees and a large order book for conventional as well as nuclear plant. It is the only company in the world which offers both of the best-selling types of reactor—the pressurised water reactor (PWR) and the boiling water reactor (BWR). It builds to designs originally licensed from the U.S., but adapted—particularly in respect of safety—to an extent where they are no longer seen as U.S. designs.

The KWU standard PWR is the product of 15 years of development, in close collaboration with German utilities, to a point where according to Nuclear Engineering International more than 75 per cent. of standard specification is accepted by all German customers. Several of the biggest nuclear stations (1,200-1,300 MW) currently under construction in Germany have few or no differences in design. The development philosophy has been to leave unchanged those features already proven in service—in some cases features to be found in the first PWR Siemens ever built.

The BWR—originally licensed by AEG, formerly Siemens' partner in KWU — has not proved so successful. But orders total about the same as for PWRs and the company is confident it can work its way through the engineering problems. The first big BWR (1,300 MW) is scheduled to come on-line in 1979.

KWU, set up in 1969, declared its first profit in 1976—DM41.6m. before tax, on a turnover of DM4,500m. The value of orders booked in 1976 was DM12,100m. —high, in spite of the severely depressed domestic demand, because of large nuclear export orders won in Brazil and Iran, amounting to DM9,700m.

The engineering policy of leaving the successful and proven portions of nuclear design unchanged is also being applied to nuclear policy-making. The Government believes that its practice of funding reactor development only until it reaches the development stage, and handing responsibility to private industry, has paid off handsomely. It plans to follow the same practice for the "back end" of the nuclear fuel cycle.

Reprocessing

Costs of research on reprocessing up to the pilot-plant stage have been borne by the Government. But the next step, construction and operation of commercial reprocessing and associated facilities, will be the responsibility of industry — only under the Government's supervision. And the customers—the electrical utilities — will bear the cost.

The Government is planning a single full cycle centre, combining on the same site the various stages of the fuel cycle: storage of spent fuel, reprocessing, waste treatment, ultimate disposal of the high-level radio-active waste, and refabrication of reclaimed uranium and plutonium into new fuel elements. Outlining this plan before the general conference of the International Atomic Energy Agency in Vienna last month, Dr. Hans Haunschild, the German delegate, said that detailed studies had shown that Germany, densely populated and short of resources, "cannot renounce reprocessing and the use of plutonium as fuel." The plan was both ecologically sound and a rational use of raw materials, he asserted.

Germany hopes to have a 1,500-tonnes-a-year reprocessing plant—enough to serve 50,000 MW of nuclear power—in operation by the late 1980s, based on its own experience with the WAK pilot plant at Karlsruhe, its long involvement with Eurochemic's facility; and its partnership in United Reprocessors, the Anglo-French-German reprocessing group. One of the achievements of this international nuclear club is a free interchange of technology on the back end of the fuel cycle.

One of Germany's proudest and technically most original achievements in the nuclear field is being unveiled this week, in the shape of its contribution to another tripartite European partnership, the Anglo-Dutch-German enrichment company, Urenco. The gas centrifuges being installed at the Almelo plant of Urenco are basically of German design, by MAN in Munich, with a Dutch contribution in such areas as bearing design and the science of rotor dynamics. German thinking has also deeply influenced Britain's ideas on the centrifuge, as exemplified in Urenco's other factory at Capenhurst.

Like Capenhurst, the Almelo enrichment plant is a £55m. investment in 200 tonnes of capacity. Just over 50 tonnes have already been commissioned, in the form of individual gas centrifuges assembled both at Almelo itself and in Munich. These are supercritical machines, all of the same design, having roughly twice the enrichment capacity of the British centrifuges. Like Capenhurst, this plant is now scheduled to be completed by the end of 1979.

This summer Germany concluded another important international agreement in advanced nuclear technology, in the shape of a bilateral co-operation with France for the development and commercialisation of the sodium-cooled fast breeder reactor, fuelled by plutonium. Belgium and Holland, Germany's partners in the construction of the SNR 300 prototype fast breeder at Kalkar, are joining the new club. Features of the agreement include a research and development interchange, and a joint Franco-German company called Serena to market commercial fast reactors, shareholdings in which are 51 per cent. French and 49 per cent. German.

Germany, like other nations with ambitious plans for commercialising reprocessing and fast breeder reactors, has come under considerable pressure from the U.S. Government and its new anti-proliferation policy this summer. Its view was summed up bluntly in Salzburg by Dr. Schmidt-Kuster. Germany was fully aware of the problems, he said. It had carefully weighed all the factors relating to closing the back end of the fuel cycle. Other countries faced with a different set of conditions might come to different conclusions, but for Germany there was no alternative but to continue with its present plans.

David Fishlock
Science Editor

Electricals aim abroad

THE WEST GERMAN electricals industry predicted fairly modest growth this year. It was wise to be cautious. The growth of the domestic economy has fallen well below the expectations of the Government and most economic institutes at the end of 1976. In that context a familiar trend has intensified, the forcing of foreign business to compensate for a flagging domestic market.

Last year sales rose by 11.2 per cent. (8.7 per cent. in real terms) to DM82.8bn.—making electricals the third biggest industrial sector in West Germany in turnover terms after mechanical engineering and chemicals. Of that total DM29.3bn. went to export—a rise of no less than 21.3 per cent. against 1975. The export quota (exports as a percentage of production) has risen from 23 per cent. in 1960 to 43 per cent. last year.

Extreme

Results for the first half year by the country's second biggest electricals concern, AEG Telefunken, show an extreme example of this trend. While domestic turnover was actually down by 4 per cent. to DM3.3bn. —foreign sales rose by 14 per cent. to DM2.9bn. Thus foreign business now accounts for 47 per cent. of turnover against 43 per cent. last year and only 30 per cent. five years ago.

Foreign sales by Siemens, the biggest West German electricals company, already accounted for more than half last year's turnover of DM20.7bn. The proportion is likely to be higher again this year after figures for the first nine months showing domestic sales rising by 6 per cent. and foreign sales by 11 per cent.

Given this trend, intensified West German efforts were to be expected to break into the U.S. market—which accounts for more than one quarter of the world market. This is happening.

Early this month Siemens announced it was founding a joint enterprise with Advanced Micro Devices of California to produce and sell microcomputer systems worldwide. The relevant software and support systems are to be included. Siemens has a 80 per cent. stake in the new company and is taking a 17 per cent. stake in AMD itself for $22.5m.

This move goes well beyond Siemens existing level of co-operation with another U.S. microelectronics concern, Intel. And it emphasises the particular importance Siemens attaches not only to strengthening its U.S. position but to microelectronics in particular. It feels success here will be crucial for the further development of its product range in other sectors. This in turn is linked to the company's efforts to get into profitability and increase its market share against the massive American competition in the computer sector. To this end Siemens has reorganised its activities—shaken off the collapse of the European computer venture Unidata—and produced a new division "data and information systems" with a new manager.

At least as significant in its drive for the U.S. market was Siemens' announcement in July that it was setting up a joint company with Allis Chalmers of Milwaukee to produce power engineering equipment. The special importance of this is twofold. First it is hard to export heavy electrical products from Europe to the U.S. Second, power engineering is much the biggest single sector of Siemens' activities, accounting for 31 per cent. of sales last year. Thus on the one hand it will be tapping the U.S. market in a sector in which it is already powerful and proven. On the other it is seeking to build up its position in a field where it still has a long way to go.

Consolidation

AEG-Telefunken is in a rather different position. Its biggest single sector of activity is consumer goods, accounting for 35 per cent. of sales. It has been able to increase its foreign business substantially. But prospects for overseas acquisitions must depend on how well the company can continue the consolidation of its affairs begun in 1976 and continued in 1977 after two years of losses.

Siemens and AEG are the giants. But there are giant killers among the West German electrical companies—not only eyeing the U.S. market but doing something about it. One of the most vigorous is the privately controlled Nixdorf Computer Company of Paderborn. In May it announced it had taken control of the American firm Entrex, of Massachusetts, for $22m., thus markedly strengthening its presence on the U.S. scene. It hopes for sales of around $100m. in the U.S. in 1980. Ambitious it may be but that is its goal—but the parent company is remarkably buoyant, registering a rise in orders in the first half of this year of more than one-fifth.

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WEST GERMANY XII

On this and the opposite page Jonathan Carr profiles a dozen leading figures in German industry, banking, publishing and the arts.

Hans Friderichs

Otmar Emminger

Hans Friderichs
Otmar Emminger

TWO BANKERS—one starting what seems bound to be a controversial career, the other nearing the end of a distinguished one.

Soma would complain that Herr Friderichs is not a hanker. They are right. He joins the Board of the Dresdner, the country's second largest bank, ooly in January and will become Board "spokesman" (chief executive) a few months later. Others say that for all the qualities he displayed as Economics Minister in Bonn, Herr Friderichs will not make a hanker. They are almost certainly underestimating their man.

He has had a zig-zag career to the top, several times making a change of course which for others might have proved fatal. As a student he was attached to the Christian Democrat (CDU) youth movement, found it not to his taste and switched to the liberal Free Democrats (FDP). In Bonn in the mid-1960s he was already porter of an alliance between the FDP and the Social Democrats (SPD)—the latter then forming a "grand coalition" with the CDU. But just as ao SPD-FDP coalition was ahout to emerge in Bonn, he weot back to Mainz, capital of his home state of Rhioeland Palatiuate, to become state secretary in a local FDP alliance with the CDU. Those who said Herr Friderichs had chosen the provioces for good were wrong. He hounced back in 1972 as Federal Economics Mioister, a post he held until this month.

On the way Herr Friderichs has ioevitebly made eoemies—not least over his decisioo to leeve a hard-pressed coalition io Bonn for the top job at the Dresdner. He regrets that so much fuss should be made when a man leaves politics for husiness, pointing out that the switch is commoo in the U.S. But he is also drawing the consequeoces from an increasing inability to push through strongly market-orientated policies, not only in the coalition but in his own party.

Herr Friderichs sheres one quality in particular with his much respected and lamented predecessor at the Dresdner, Herr Juergen Ponto, shot dead by terrorists in July. That is wholly uncompromising defence of the social market economy—in which neither the "social" nor the "market" component must be surrendered. He has often been accused of stubborness. True—but he displays this in defeoce of the middle ground, in politics and economics. In addition he will bring to the Dresdner hard work, readiness to give his subordinates plenty of scope—and an internationel reputation, not least in the Middle East.

Herr Friderichs would not pretend to he a specialist in international monetary affairs. Dr. Emminger is that above all—a fact long well known to his colleagues throughout the western world. After studies in Edinburgh and London (where he learned his immaculate English), he rose to leading positions in the OECD, the Group of Ten and the EEC Monetary Committee (among others), which made him a kind of West German financial ambassador at large.

At home he has been a director of the Bundesbank and its predecessor, the Bank Deutscher Länder, for more than a quarter of a ceotury. At the start of June this year he moved from the Vice Presidency to the top spot in succession to Dr. Karl Klasen, who had reachad the retiremeot age of 68.

The new post was ooe which even many who praised Dr. Klasen'a qualities felt Dr. Emminger had long deserved. He has not always woo his battles—but in retrospect he has rarely been proved wrong.

Now aged 66 he will have to make way for a successor in a maximum two years. They will oot he easy ones. If the economy fails to pick up strongly next year, aod the signs ere it will not, the Bundeshank will inevitably come under increasing pressure. At home there are cries that tha Buodesbank has followed too conservative a policy and that this has added to the economic despond. Ahroad there are many advocates nf a "mobilisation" of the Bundesbaok's reservea to produce a push for a take-off of the European economies. Dr. Emminger is a polite and open man. But those who feel he will be easier prey than his predecessor are in error.

Heinz Vetter
Eugen Loderer

TWO TRADE union leaders. Herr Vetter heads the Deutsche Gewerkschaftsbund (DGB)—West Germany's TUC. Herr Loderer is chairman of the Metalworkers Union, IG Metall, which with 2.6m. members is usually described as the biggest union in the western world. The pressures on both men today are greater than ever, and the tone of their comment markedly sharper.

Herr Vetter presides over an organisation of great influence. It embraces 16 member unions, all in theory autonomous but none in practice ever likely to defy the DGB for long. He has held the job for eight years, during which the economy has gone from boom to slump—then into a slow upswing which seems to have almost petered out. From "over employment," West Germany went to an average of 1m. jobless, placing a special pressure on moderate leaders of organised labour and on Herr Vetter in particular.

He was born in Bochum in the Ruhr region—once the heart of German industrial power, later to undergo huge structural change. That it passed through this tough period with relative social peace was due not least to the far-sighted attitude of the unions in general and of Herr Vetter's own IG Bergbau in particular.

After the war (part of which he spent as a prisoner of the British) Herr Vetter joined the union and worked his way up to deputy chairman in 1964. When Kurt Gscheidle (now federal Transport Minister in Bonn) surprisingly withdrew his candidacy for presidency of the DGB in 1969, Herr Vetter came under pressure to stand. He was elected in May—and has held the job since.

He is rightly described as a moderate—perfectly willing publicly to stress the need for companies to make profits and, to a degree, invest overseas. Earlier this year he stressed that the trade unions supported the social market economic system because they believed it was both worth improving and capable of improvement. Not much revolution there.

But Herr Vetter rightly sees *Mitbestimmung*—co-determination between management and labour in industry—as a key factor in Germany's social peace. He headed the *Mitbestimmung* department, and the extens... development of the sys... always been a matter of concern to him. He was peculiarly tough reacti... year when employers ... to the federal Consti... Court against the countr... *Mitbestimmung* law. He promptly pulled the uni... of the regular "co... action" meetings with ... ment and employers.

Herr Loderer has ... been pretty blunt—but ... still more so. Smoot... articulate, he is one of t... generation of German ... leaders virtually untouc... the Nazi era. He was ... chairman of IG Metall i... 1972, in succession t... Brenner—a man mould... only by resistance to the ... but by the post-war hon... with the employers as bot... struggled to rebuild a sh... economy. There is not ... honeymoon to be seen i...

Herr Loderer accus... players of using this ... unemployment as one in... to push through their ... terests and increase ... power. The sharp tone ... also reflect trouble at the ... rc... The conference ... Metall last month showe... membership restive an... some matters ready to... through proposals again... advice of the leadership.

Herr Loderer's backgro... impeccably working class... the son of a metal work... Heidenheim, in what is... Baden-Württemberg, he w... at the local wiremesh f... and became chairman of ... works council there. He ... brief spell of study a... University of Madison, ... consin—then returned ... many and became at ... one of IG Metall's branch ... retaries. It was Herr Bre... support, in particular, ... took him to the union ... chairmanship in 1968.

Herr Loderer and his ... will bear a particularly ... responsibility in the ... round of wage negotiati... to begin shortly. So far ... adopted a tough ... Recently he said he was ... hearing wages described ... as a cost factor, not also ... economic stimulant th... increase of purchasing p...

Heinz Vetter

Eugen Loderer

Toni Schmücker

Bernhard Plettner

Toni Schmücker
Bernhard Plettner

TWO INDUSTRIALISTS—one who has had to drag his company out of disaster, the other who has kept his so far from disaster that the world recession might almost not have existed.

When Herr Schmücker took over as executive chairman of Volkswagen in early 1975 the company had suffered a loss in the previous year of DM807m. The future looked bleak and morale had plummeted. To-day Volkswagen can look back on a DM1bn. group net profit in 1976 and shareholders can reasonably expect a higher dividend. For last year they received a 10 per cent. payout—the first dividend since 1973. Herr Schmücker has been feted as "Manager of the Year" and has sometimes been drawn as a kind of miracle worker.

He would be the first to deplore the exaggeration. He is a tough, hard-working (18-hours-a-day) manager, who knows the vehicle business from the bottom up. He began as an apprentice with Ford in Cologne, worked his way to sales manager in 1962, moving to the crisis-ridden Rheinstahl steel concern in 1968. When he left for Volkswagen Rheinstahl was making a modest profit—and had been safely deposited with the Thyssen organisation.

Herr Schmücker is the antithesis of the manager who sticks to his office, handing down edicts. He believes in getting on to the shop floor, telling his workers bluntly what they face (the bluntness is also used against reporters who seek to pry into his private life) and calling for a fair chance.

The policy has worked well. It is a fair bet that without it the essential reduction in the VW labour force at the start would have caused far more friction. But Herr Schmücker had two points in his favour. The big-selling VW models, such as the Golf, were the products of his predecessor, Herr Rudolf Leiding. And the boom in the home vehicle market came at just the right moment.

Herr Schmücker is hardly resting on his laurels. He constantly warns about the danger of lower cost competition—not least from the Far East. Significantly it has been under Herr Schmücker that VW finally decided to build a plant in the U.S., thus attacking the American market from within.

Dr. Plettner, executive chairman of Siemens, heads a concern which knows all about getting at foreign markets from the inside. It has been a company strategy for many years and about half total sales of more than DM20bn. are now made abroad. Siemens has a foot in so many world markets that it seems able to shake off regional recession and pursue its steady upward path.

Dr. Plettner is a Siemens man, by career and in style. First, he is an engineer by t... ing—and Siemens remains ... and foremost an electrical e... neering concern, founded ... engineers and still pri... itself on products which ... "state of the art," even if ... are not always the cheap... Then Dr. Plettner was invo... early on with Siemens for... business, and the emph... remains. After much ... abroad for the Siemens e... prise Siemens-Schuckertw... he became head of the ex... department there in 1949, fi... making it to the Siemens B... in 1967. A year later he bec... deputy chairman and had t... years to prepare himself ... the top role before the ... man, Dr. Gerd Tacke, ste... down in accordance ... Siemens' unwritten rule ... retirement at 65.

For all that he is chair... of a company employing m... than 300,000 people, and h... series of Supervisory B... posts, Dr. Plettner always se... to have time to spare. He ... not dominate the board ... draws a consensus out of ... which usually happens to ... what he first proposed. ... journalists in search of h... lines he presents probl... Nothing in Dr. Plettner's ... ever seems so good that it c... not be better—nor so bad ... reasonable action could ... correct it. One is left wonde... what sleight of hand is b... performed in a world of ha... not to say vicious competi... between and within ... There is no clear answer. ... the results are plain to see.

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WEST GERMANY XIII


Heinrich Böll


Günter Grass


Axel Springer


Rudolf Augstein

Heinrich Böll Gunter Grass

O WRITERS. Herr Böll—n early enough to have been y conscioua of the rise of ism and still living in the of bis birth. Cologna. Herr ss—born in wbat was then free city of Danzig, now of Poland. Both are deeply lved in Germany's attempts assimilate its Nazi past. And h are worried by wbat they is an increasingly boatile tude to left-leaning writars other intellectuals in West many to-day.

he bond between the two is r — bowever mucb their rary style may differ. ical is Herr Böll's comment 1972 on learning that he had o awarded the Nobel price Literature. "What, ooly for ? Not for Grass and me ether?"

Herr Böll is for many an unnfortable figure—and signifilly it was tn him that a ularly uncomfortable writer, ander Solzhenitsyn, first ne after ejection from the let Union. In a series of rks, such as *Und soate kein ziges Wort (And don't say o rd)* and *Ansichten eines owns (Views of o Clown)* he hitterly critical of post-war rman society and politics — hind which the shadow of the zi era seems ever present. As once wrote "O dead and ing friends, be on your guard: u are in Germany."

His opponents argue that over e years his criticism has come polemical and that bis le has suffered as a result. is supporters point to his coning ability brilliantly to ghlight social ills—as in his *ie verlorene Ehre der atharina Blum (The lost onour of Katharino Blum)*, in hich he traces the destruction an individual through "the thorities" and the Right-wing ress.

For all his command over ords. Herr Böll appears a vulerable figure. Herr Grass oks ready to take all criticism nd give as good as be gets. A road, muscular figure with a rge, black moustache, he is urrently enjoying a big success ith bis latest oovel *Der Butt (The Turbot.)* It is a typical rass production, overflowing ith symbolism, irony and itality, wbich the autbor (also ypically) simply describes as "A history of food."

Herr Grass—an artist and oet as well as a novelist — was in the forefront of those intellectuals who worked in the 1960s and early 1970s to bring a Social Democrat-Liberat Government to power and keep it there. Significantly he lay much lower before the 1976 elections. The new pragmatism of the era following Willy Brandt's resignation as Chancel'or in 1974 is mucb less to his taste.

Although his words still carry political weight. Herr Grass would be the last to overestimate the effect of them. His clear-sighted view of himself and his craft is set out well enough in bis depracatory address "On Writers as Court Jesters." But it is just this ability to cut behind every kind of sham and cooceit which gives Herr Grass his greatest value. As he once observed, peop'e were doing Hitler a favour who called him a demon—for that made his inaccessible to comprehension. His special achievement, in works like *Blechtrommel (Tin Drum)* and *Hundejahre (Dog Yeors)* is to have made the Nazi period and its aftermath accessible emotionally.

Axel Springer Rudolf Augstein

TWO PUBLISHERS—with very different missions. Herr Springer the man of the right with a grand design. Herr Augstein anything but a man of the right—ready to puncture pomposity from any quarter and cut authority down to size. Both are wealthy—but in Herr Augstein's case it wou'd be hard to tell.

This has been a good year for Herr Springer. He has received an array of medals from, among otbers, the Federal German State, the Governing Mayor of Berlin and the U.S. Freedom Foundation. His mass circulation Bild ("Picture") touched a daily circulation in the second quarter of 4.8m. copies. Aod all that after the surge of 1976, when the whole Axel Springer publishing concern saw turnover rise by 12 per cent. to DM1.4bn. and profit by 45 per cent. to DM37m. Its position as much the biggest daily newspaper publishing group in West Germany remains unchallenged.

"It is a far cry from the early days after the war when the British in Hamburg gave the young Springer—who had no Nazi record—a licence for a radio periodical. That was "Hör Zu" ("listen In")—now a family weekly as well as a radio sbow and TV guide and still one of the big Springer money spinners.

The real Springer revolutioo came in 1952 with Bild—a tabtoid sold on the streets, not by subscription, with lots of pictures, big beadlines, no subtlety and huge drawing power. Like it or not, Bild remains the most powerful single instrument in West German mass communications. As such both tbe daily and its founder have often been pilloried as "manipulators of society"

Few who can read at all have trouble reading Bild. That is also a merit of Herr Springer's Die Welt ("The World")—a much more sophisticated product and the only national daily to be printed in the Federal capital, Bonn. It has a styla and layout to which readers of other "heavier" German dailies are likely to turn with relief. But critics charge that under the brandmark of liberalism and tolerance, Herr Springer's papers propagate anti-Communism and oatiooalism. Herr Springer himself names one of his guiding principles as support for the restoration of German unity. His office atop the Springer building in Berlin overlooks the wall between East and West, as though waiting for the day when the barrier will be swept away. Since the Social Democrat-Liberal coalition came to power in 1969 the spirit of the age has not been with Herr Springer. But that does not mean it never will be.

If Bild picks up the whisper of the public and sends it booming back Der Spiegel (The Mirror) is often booming before the public realises there is anything to wbisper about. News reporting is oot the special triumph of this irreverant weekly. Rather Der Spiegel bas a talent for catching the first traces of wbat has yet to be a public issue, ensuring its success by making those traces a public issue—then racing on to the oext story while the opposition flounders behind. Almost everyone hates something about Der Spiegel—which is a fair guide to its value in a country which still too readily defers to authority.

So far no mention has beeo made in the above to Der Spiegel's publisher, Herr Augstein. But it is hard to imagine him without his magazine. When he founded it in 1947, Der Spiegel was a 28-page publication, with a circulation of around 15,000. Now it often has more than 200 pages, contains a lot of glossy photos and has a weekly sale of over 1m. True Herr Augstein has flirted with a Parliamentary career (for the liberal Free Democrats) and has written books—including a Life of Christ. But the history of Der Spiegel is in large measure the history of Augstein.

For all his 53 years, Herr Augstein still has the air of an intelligent but frail college student peering with distrust at the world through his spectacles. He has been upsetting authority at least since a school essay arguing it was impossible to win a war against the British. Fairly enough, when the Nazis had lost, the British gave Herr Augstein a licence to print a magazine. It soon folded—but Herr Augstein rebounded with Der Spiegel and has hardly looked back.

Things looked black in 1962 when police occupied the Spiegel offices and arrested Herr Augstein on suspicion of publishing military secrets. But he was freed, and the then Defence Minister, Herr Franz Josef Strauss, later had to resign. Herr Augstein was happy that he had stopped a possible future Chancellor—and what he felt to be a dangerous man—in bis tracks. It is conceivable that Herr Strauss may yet make it to the top. Herr Augstein will be there, sniping away.


Hans Werner Henze


Karlheinz Stockhausen

Hans Werner Henze Karlheinz Stockhausen

TWO COMPOSERS—the works of each of whom seem to be attacked most bitterly by supporters of the other. Herr Henze tends to be branded by opponents as a traditionalist masquerading in modern garb—especially active, it is noted, in that conservative field, opera. Critics of Herr Stockhausen see him as pseudo-musical guru, operating in a mystical haze from which the essence of musical composition has long since evaporated.

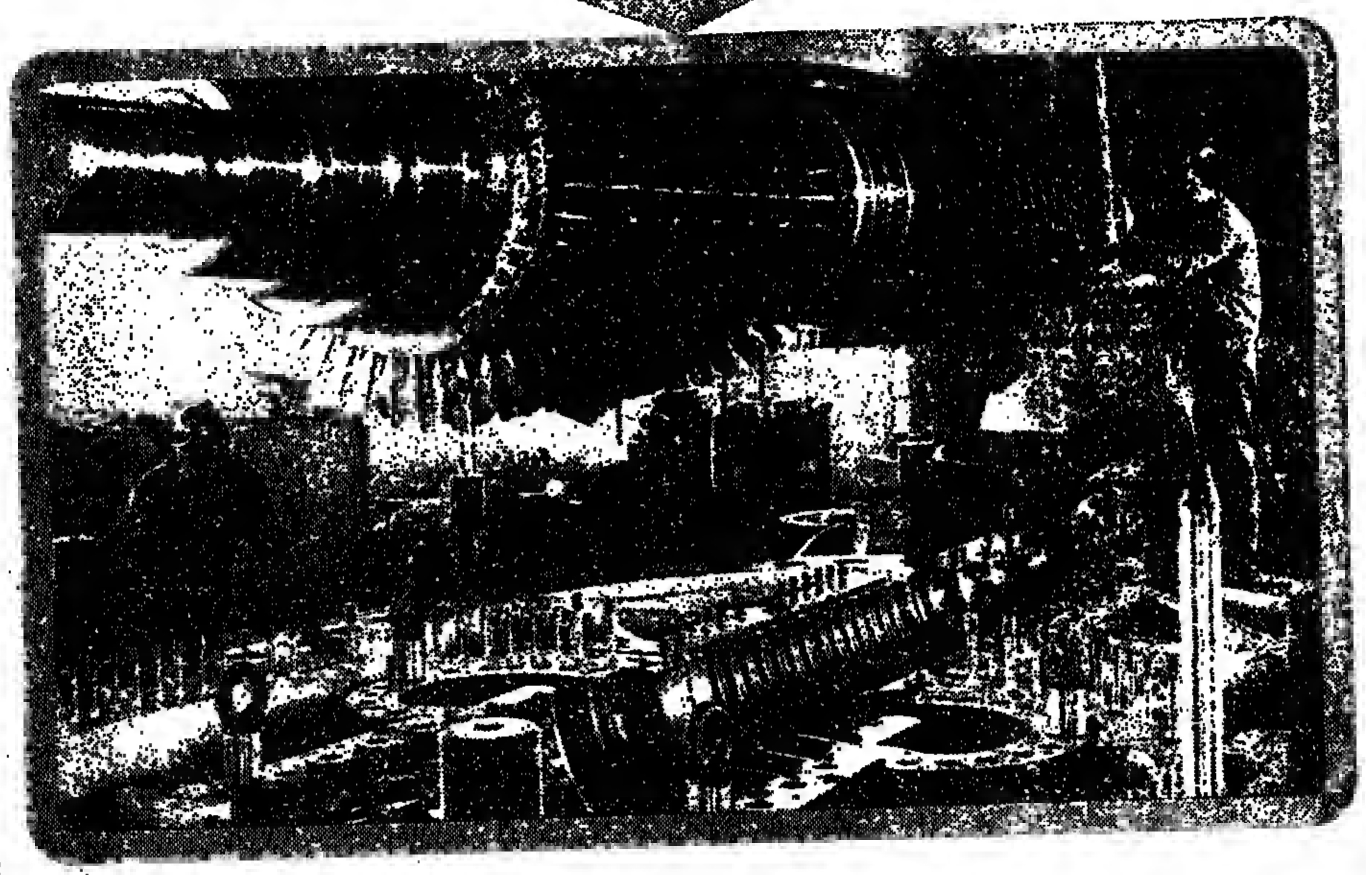
Many may find tiresome Herr Henze's espousal of the radical Left, most clearly demonstrated in the scandal surrounding the premiere of his oratorio, *Der Floss der Medusa (the Raft of the Medusa)*. And Herr Stockhausen has often made authoritarian statements contrasting oddly with the freedom he presumes to allow his interpreters.

The defence of both is simple. Over the years (they are hardly young composers any more) they have produced a lot of work much of which is agreeable, or exciting—or both. In Herr Henze's case that applies not just to relatively early operas like *Elegie für junge Liebende (Elegy for Young Lovers)*. It goes, too, for more recent works like *El Cimarron*, a fascinating setting of Cuban poems for male voices, flute, guitar and percussion.

As for Herr Stockhausen, his emotional outbursts sometimes remind one of Berlioz—and it is meant as a compliment to say that Stockhausen's *Gruppen* for three orchestras and *Carré* for four orchestras and choirs are works which Berlioz would not have been ashamed to write.

The influences on Herr Stockhausen are clear enough—the French, especially Olivier Messiaen, and electronics, first during his year in Paris in 1951 and later in the studios of West German Radio, Cologne. The influence on Henze are—the French again, Berg, and initially Fortner, a teacher who insisted on a thorough traditional musical grounding even for the most impatient prototype avant gardiste. Beyond that there is Italy—where Herr Henze has spent much of his time. It is not fanciful to suggest that the south has over the years erased some rough edges.

Does Herr Stockhausen hold the key to the future—passing through serial technique to "aleatoric" music where chance plays a big role? Or does Herr Henze maintain a link with tradition which will give him a lasting audience? Arguments between the two camps are ultimately sterile. Better to ignore them—and listen to the productions of both composers.



Chemicals faced with cost pressures

THE WEST GERMAN chemical industry is unlikely to be very pleased with its performaoce in 1977. After a promising start to the year, sales appear to bave lailed off, while, at the same time, there was heavy pressure on costs.

Few industrial sectors have beeo hit so bard by the rise in the value of the D-mark during recent years. The industry's wage costs are now among the highest in the world, and capital investment costs in the Federal Republic are also bigh in comparison with competitor nations.

One cannot avoid being impressed with the way in wbich the country's cbemical concerns have coped with their problems. Rationalisation bas been the watchword, and a large proportion of capital iovestment casb has been channelled towards up-gradiog existing plant and improving its productivity. There bas also been a shake-out in the labour forces of many concerns, but in real terms the decline in the number employed in the industry has not been particularly steep.

While the industry, of course, is a capital intensive one, labour costs io the Federal Republic contribute significantly to its overheads. Accnrding to the Working Circle of the chemical industry emplnyers, personnel costs have increased by 69 per cent. in the five years since 1972—an average of 11.1 oer cent. a year. This is a very steep increase indeed in a country where the inflation rate has been well helow the average Euronean level.

A Working Circle report, published in July, stated that the iodustry's personnel costs had risen to the record level of an average DM21.15 (£5.24) per working hour. Much of the increase is attributable to a heavy rise in the value of fringe benefits its workers enjoy. In the first half of the current year direct wages averaged nut at DM12.11 (£3) per working hnur, while fringe henefits added another DM9.04 (£2.24) to fiourly costs.

Fringe benefits now equal 74.6 per cent. of direct wages and, indeed, have gone up at a far steeper rate than wages. This can be judged from the fact that in 1972—wben the D-mark was worth a good deal less in comparison tn other world currencies tban it is now—total personnel costs, including fringa benefits, amounted to DM12.54 per working hour.

The average cost per worker in the industry during 1977 is expected to be DM35,190 (£8,721). Average gross yearly earnings per worker are likely to total DM28,640 (£7,098), including sucb things as holiday pay and the savings programme to which the employers are legally obliged to contribute. Fringe benefits, including employers' social security contributions, are forecast at DM15,040 (£3,727) per employee.

The industry's production and productivity, despite substantial investment in both plant and rationalisation measures, bas utterly failed to rise at the same pace as personnel costs. Working Circle figures show that between 1972 and 1976 chemicals production rose by 18.7 per cent. When the figures were published the Working Circle was assuming a 5 per cent. growth rate for 1977, in which case output by tbe end of the year would have grown by 22.5 per cent. since 1972. This would bave meant that productinn would bave sbown a relatively unimpressive 4.1 per cent. average annual growth rate over the five-year period.

However, it now looks as though the 5 per cent. figure was grossly optimistic. Professor Rolf Sammet, cbief executive of Hoechst, one of West Germany's chemicals "big tbree," reported this month (October) tbat in the first quarter of the year production increased by a meagre 2 per cent., and then stagnated in the second quarter.

Prospects

Prospects for the final quarter of the year look somewhat brighter, but this will not alter the fact that chemical sector's productinn performance is lagging heavily behind industry as a whole. West German industrial production growth averaged 6 per cent. during the first three months of tbe year and 3 per cent. in the second. The chemicals sector is also unlikely to keep up with the year's estimated 3.5 per cent. growtb tn the gross national product.

This is not to say that the industry has not managed to acbleve an impressive productivity record in comparison with its competitor nations. Productivity in the industry, measured in terms of the value of nutput per workers, rose by 18.9 per cent. between 1972 and 1976. The 1977 figures will not be available until the year's end, hut the average anoual improvement has averaged 4.4 per cent. a year.

The current year's stagnation is doubly disappointing in tbat it followed 1976's dramatic recovery from the previous year's recession. Sales soared and profits bounded back. At the beginning of the year, the leaders of the industry were forecasting a sales increase of between 7 and 8 per cent.—well over the 5 to 6 per cent. increase predicted for German production industry as a whole.

At the time of writing, only Hoechst of the chemicals majors bad reported on the first eight months sales performance, but, from pasl experience, Hoechst's performance will to a greater or lesser degree be echoed by its twu leading competitors, Bayer and BASF. If this is so, one can expect reports of stagoatlng casb turnover, if not small declines.

Professor Sammet reported that the Hoechst concern's turnover from January to August totalled DM8.33bn. (£2.1bn.)—½ per cent. down on the figures for the same period of 1976. Home sales were off by 1 per cent, at DM4.08bn., while exports were down 0.8 per cent. at DM4.25bn.

Utilisation of capacity has, naturally, declined from tbe levels of 1976. In July and August — admittedly never the strongest months — the concern's plant was operating at about 70 per cent. of full capacity. To put this into perspective, it should be pointed out that this is nowbere near as low as the levels recorded at the depth of the 1975 recessioo.

Pressure on prices increased substantially—particularly the sectors of fibres and fibre products, plastics, and inorganic and organic chemicals. The Hoecbst cuncern's losses in the fibres sector worldwide amounled to DM110m. in tbe first half, and to make matters worse textile demand is unlikely tu improve in the final quarter of the year; nor are there signs of an upswing in 1978.

Currency fluctuations are giving the cbemical coocerns a major headache, particularly the weakening of the dollar against the D-mark. Professor Sammet said that they had not only hit West German export volumes and profits, but had also enabled an increasing number of foreign competitors to increase their foothold in the German market.

On the profits front, Professor Sammet was relatively comforting. Despite stagnating turnover and rising costs, it was hoped that "a drastic decline in profits" could be avoided. No doubt shareholders will [...]ing for the same messag[e] [...] the country's other c[...] concerns.

Not surprisingly, the [...] has been showing a [...] increased interest in in[...] overseas, with the Unit[...] as an important targ[...] instance, American [...] Corporation, the concer[n's] subsidiary, is to emba[rk] major project in Baypo[rt] next year. It will be c[...] ing a styrol plant with [...] tonnes a year capacity [...] 100,000 tonnes a year lo[w-pres]sure polyethylene plant. [...] same time, is rival Ba[yer has] been in the news rece[ntly with] it $215m. bid for the [...] sized U.S. group, Miles [Labora]turles.

A tanker at Hoechst's Tor Ost plant preparing to carry organic chemicals to other Hoechst factories

Steelmakers dominated by EEC rules

PERHAPS THE most surprising thing about the steel industry is the surprise that some economic commentators show when, periodically, it goes into recession. Steelmaking capability has long been a test of national manhood and this rather than rising demand has provided the basis for the expansion of world crude steel capacity. It should, therefore, come as no shock that for as long as anyone can remember the industry has been noted for its regular cycles of boom and recession.

Steel is yet again in recession. However, unlike the previous downturns, when steelmakers could draw comfort from the general rule that it took five years to go through a full cycle, this recession seems set to last far longer than the norm.

The world steel industry is now in its third year of deep decline and nobody can foresee much of an improvement in the offing until 1980 at the earliest. Indeed, the turnround could possibly be even further away as the shipbuilding industry, a vital customer for world steelmakers in general, and the German industry in particular—is going through a downturn which could continue into 1985.

Parlous

A key to the problem is the tanker market, although other sectors such as the closely related bulk carrier market are also in a parlous state. Demand for tankers took a nose dive after the oil crisis and a state of over-supply is likely to continue into the 1980s. West German shipbuilders claim that there is unlikely to be a real recovery until the middle of the next decade.

West Germany's problems, however, cannot be seen in isolation from the European Economic Community as a whole. European steelmakers have seen production rapidly decrease from 78.4m. tonnes in the first half of 1974 to just 65m. tonnes in the same period of 1977. At the same time, utilisation of capacity has fallen from an average of 87.6 per cent. to 64.5 per cent.

The EEC Commission, desperately worried about the problems of world over-supply and the industry's long-term prospects, has warned that 100,000 jobs out of the present 736,000 EEC steel industry workforce are in imminent jeopardy. There is also a strong undercurrent of thinking in Brussels that Europe needs a steel workforce of no more than 500,000 if it is to match American and Japanese productivity levels.

So far the Commission's response to the situation has been to apply voluntary quotas on steel deliveries on some products and to supplement these with minimum guideline prices. For the longer-term, it is planning to use a mixture of financial incentives and treaty powers to induce the Europeao steel industry to rationalise—to increase productivity without necessarily increasing production.

Rationalisation has long been a watchword in the European steel industry—particularly in West Germany—but there are only rain hopes that production will not increase. An analysis of European steel concerns' investment plans indicates that the steelmakers are planning to increase their already heavily under-utilised steel capacity of 202m. tonnes a year to 214m. tonnes a year by 1980.

West Germany's stake in the European steel industry is substantial. Community estimates put the Federal Republic's three largest steel concerns'—Thyssen, Kloeckner and Krupp—share of total EEC steel production at about 18 per cent. In addition there are many smaller, but still substantial, West German steelmakers who push the total share up even higher.

Their plight is illustrated by the monthly figures for rolled steel finished products issued by the Federal Republic's Iron and Steel Industry Federation. These do not cover semi-finished products, hot rolled broad strip or special steels, but still provide a useful guide to the state of the industry.

In August this year—the September figures were not available at the time of writing—bookings were almost at their lowest since 1970. Tbe month's orders amounted to 1.4m. tonnes, substantially below tbe already low 1.51m. tonnes booked in the same month nf 1976. Even more depressing was the fact tbat they were very little more than the 1.38m. tonnes ordered in November, the deep point of last year's recessiou.

Decline

Accordiog to the Federation, there was a steep decline in orders from every major sales area. Total bookiogs were off 14.1 per cent. even on July's depressed performance of 1.63m. tonnes, while the iodustry's order book for these products fell during the montb by 8.4 per cent. from 3.68m. tonnes to 3.37m. tones. Tbis was well below the August, 1976, order bonk which stood at a none too bealthy 4.14m. tonnes.

The largest decline in hnnkings came from customers in the EEC. These went off by 42.5 per cent. from July's 186,000 tonnes tn 107,000 tonnes. Bookings from third countries outside the EEC fell by 15.6 per cent. from 552,000 tonnes tn 466,000 tnnnes, althnugb it has to be pninted out that bnnkings frnm these custnmers were well up on the August, 1976, figure of 390,000 tnnnes.

It is the hnme market, hnwever, which is the key to the real weakness in tbe nrder bnok. Orders frnm the dnmestic market drnpped by 7.2 per cent. from July to Angust—frnm 891,000 tnnnes tn 827,000 tonnes. Furthermore July and August bnnkings from German custnmers were markedly helnw those fnr the comparahle months nf 1976, 1.1m. tnnnes and 983,000 tonnes respectively.

Certainly, this state of affairs in the hnme market reflects the recession in two major steel-consuming industries — shipbuilding and construction. But undnubtedly tbe bulk of the problem is attributable to stiff import competition. Althnugh the indicatinns are tbat September will see some increase in orders it is unlikely to be large ennugh to bring about much improvement in capacity utilisation.

The industry's approach to the question of price competition both at home and abroad has been rationalisation—a formidable undertaking when one considers that it is already one of the most modern in Europe. The country, with the Community's blessing, is divided into two "rationalisation groups": oorth and soutb. In the southern group, three Saarland concerns (Roechling Burbach, Dillinger and Neukircher) have drawn up plans to amalgamate their pig iron production on one site.

But for tbe large groups such as Thyssen, Kloeckner and Krupp the rationatisation options are much more limited. Neither the EEC Commission nor the Federal Cartel Office in Berlin woutd welcome much in the way of takeovers or me[rgers]. The feeling seems to be th[at the] big groups are big e[nough] already.

Despite the industry's [prob]lems—and these include [allega]tions of dumping not onl[y from] Japan but also from [...] Korea, Africa, Australia [...] and countries within th[e EEC] such as Italy—opinion wi[thin it] remains strongly anti-[protec]tionist. A Thyssen spoke[sman] recently said: "protectioni[sm is] not the answer to the ex[isting] problems in the steel indu[stry]."

Like many of its West Ge[rman] competitors, Thyssen has st[riven] hard to prevent the EEC [from] treading the paths of p[rotec]tiooism. They have op[posed] moves towards the mainte[nance] of import provisions [and the] establishment of quotas. [This], of course, can be ascribed [to en]lightened interest in that, [as a] major steel exporter, the German industry is [...] vulnerable to retaliation. [But] even so, it bas the rig[ht to] expect to be able to comp[ete on a] fair, price-for-price basis [with] its overseas counterparts.

هكذا من الأصل

A difficult year for engineering

ALL West Germany's ...sticated and technologic-advanced industries, nnme ...s closer than mechanical ...eering to symbolising the ...y's enormous strengths ...old markets—and to pointing its increasing competitive difficulties as high wage ...s and an ever-dearer ...eutschemark become steadily disadvantageous.

...1976, mechanical engineering was West Germany's biggest export earner, accounting ...ly per cent. of the ...'s exports, worth a staggering DM48bn. That figure ...early 11 per cent. better ...during the previous year, ...as rapid a rate of export ...h as had been experienced ...the last "normal" year, ...when mechanical engineering companies were still ...ing from an export boom ...pushed sales up by no ...than 25 per cent. from the ...level.

...its importance for the ...nic economy, the ...anical engineering industry took third place last year ...and food and chemicals, ...a total turnover of ...bn. Measured by the ...r of people who make ...from it, the industry ...is West Germany's most ..., accounting for over ... workers, or about one-...th of total industrial ...loyment.

...alt

...e present year, in which a ...pointingly slow recovery ...recessinn has lost speed ...finally ground to a halt, is ...y to prove at best an in-...rent one for the mechanical ...neering manufacturers. ...ording to a recent study by ...Berliner Bank, orders to ...industry during the first ...t months of 1977 were ...n 1.7 per cent. in real terms ...West German customers ...down 3.5 per cent. in real ...is from foreign customers, ...pared to the same period ...year. Meanwhile actual output during the first eight ...nths was down 2.4 per cent. ...n 1976, suggesting that the ...istry's modest goal of a 4 ...cent. increase in output ...year will not now be ...ined. Indeed, the orders ...res suggest that a further ...e in production is to be ex-...ted in the future.

...or many companies, this is likely to mean taking a deep breath and laying nff skilled workers. They will not do so willingly, for apart from the purely buman considerations that stand in the way of redundancies in an industry still dominated by small, family-run firms, employers are well aware that skilled man are their most preciona resource and that at a time when other sectors—the motor industry for nne—cannot fill vacancies, it will be hard to replace those laid off now, once business improves.

Several factors combine at present to make the outlook for West German mechanical engineering a somewbat gloomy one. First, as scarcely needs repeating, there is the worldwide weakness of demand. This applies not only to the industry's traditional customers in the European Community and the U.S., but also to the newer outlets it first began seriously to develop when the first signs of recession in the industrialised West appeared. The East European countries have become a tougher market as their bard currency position has deteriorated. This has both made them competitors to West German companies in some areas, sucb as series macbine tools, snd has led to less favourable terms of payment. West German suppliers of big installations, such as steel mills equipment, bave found on the one hand that they have tn sccept that local subcontractors underiake bigger shares of the total worth of a project, and that on the other band their customers insist on barter deals in order to side-step hard currency bottlenecks. It is becoming a common sight to find big East European machine tools in West German engineering factorles, as tangible evidence of such deals which the West Germans cannot otherwise dispose of. The practice has frequently been criticised, not least by the West German Government, but it shows no signs of disappearing during a period when the engineering industry is glad to get work at almost any price.

For some branches of the mechanical engineering industry, the OPEC countries have offered a second major new source of business as they bave sought to bnild up increasingly sophisticated industrial bases of their own. Manufacturers of construction equipment, textile and shoe-making machinery, printing and composing machinery and some types of machine tools have all benefited to some degree from tbis trend.

Yet the bread and butter of the mechanical engineering industry remains the home market, and it is the unanswered questinns about the future of investment within West German industry that constitute the second area of donbt about the future. According to the reckoning of Harr Hans Barthelmeh, chairman of Gildemeister, one of the biggest West Germao mechine tool huilders, tbere is an "investment deficit" in West German industry that has now passed tha DM100bn. level. That is a way of calculatiog the amount that West German companies ought to be spending on new plant and machine tools in order to replace capacity that is generally admitted at present to he significantly nlder than in other industrial countries. Over 60 per cent. of currently installed machine tools in West Germany are ten years old nr more, cnmpsred to only 40 per cent. in Japan.

Impetus

Throughout the past year, both the mecbanical engineering industry and the Government bave been hoping that this seemingly built-in impetus would make itself felt. But despite a brief upturn during the early spring, new orders for machinery and machine tools have not provided the stimulus for the industry and, through it, for the rest of the economy, that bad been expected.

The package of stimulatory measures announced in mid-September, wbich included more rapid opportunities for depreciation of industrial plant, is intended to help remedy this situation, though machinery and machine tool builders appear somewhat unconvinced that it will pusb companies into making major new investments unless they are assured of better sales and improved profits for their products.

For all the difficulties that face the mechanical engineering industry taken as a whole, however, there are many branches within it that can look to the future with a good deal of confidence. The reasons for this are not bard to find. There may be increasing pressure from Eastern Europe and from the industrially mora sophisticated developing countries in the simpler types of machine tool. But West Germany's reputation has been built on reliability, accuracy and specialisation, and for the almost infinite range of one-off machines and production lines which German companies can offer, these qualities count for more than price alone.

So it is that after a slow start, numerical control and computerised nperation are becoming increasingly important to German mechinery builders, raising the value of their prodncts and—or so the indnstry maintains — widening still fnrther the gap between the specialist eogineering companies snd their would-be competitnrs abroad.

The gap will need to be widened, in the view of a recent study by the IFO Economic Research Institute on the machine tool indnstry, if German manufacturers are to offset the price disadvantage nnder which they continue to suffer, combined with the bandicap of a steadily rising D-mark. The condition for maintaining technological excellence, and with it the German engineering industry's relative immunity to price pressures np to now, will, however, he a high rate of research and investment by the industry itself. Whether the indnstry is in a position to undertake this remains an open qnestion. The IFO study reports that three-quarters of the 450-odd firms in the machine tool indnstry had 25 employees or fewer, and acconnted for only 25 per cent. of the industry's DM7bn. sales last year, while the 12 per cent. of companies with 500 or more employees accounted for over 50 per cent. of the industry's sales.

To many observers, including IFO, that implies that rationalisation and consolidation are an urgent priority for the engineering industry. Yet in a country where big companies are increasingly dominant, it will be forcibly argued in return that the flair and flexibility that have built up the engineering industry to its enviable place in the world are inseparable from the present structure of small, specialised and often family-owned companies.

A.D.

Energy battles rage on

...EST GERMANY faces more ...gent and more difficult choices ...the field of energy strategy ...an in any other. The debate ...at has now been going on for the better part of two years over ...ether the country should ...mmit itself to massive investments in nuclear generating ...pacity in order to safeguard ...ture energy supplies is ...spected to reach a new pitch ...der this autumn, when con-...mences of the two coalition ...arties, the Social Democrats ...and Free Democrats, will each ...onsider the position anew.

It is far from clear that ...inisters will get the party ...acking they want for a re-...firmation of the nuclear ...ogramme—though Chancellor ...elmut Schmidt has indicated ...hat his own belief in the need ...or the programme will not be ...aken if he doesn't. But the ...overnment does recognise, ...long with the trade unions and ...he business community, that ...ither rejection of the nuclear ...ption or further delay could ...n the not-so-distant future ...eopardise jobs, investment and ...ltimately the high level of ...rosperity to which West Germans have become accustomed.

No other large European country feels itself as dependent as West Germany nn foreign energy supplies. The country has little oil and not mucb hope of finding any in its relatively small slice of the North Sea. The Government helped through a series of mergers to build up the VEBA Group (of which it owns 44 per cent.) into an integrated oil concern, yet this has done little to raise Germany's security of supply in any future shortage. By contrest West Germany does have some reserves of natural gas of its own, and it has successfully negotiated a series of long-term supply agreements from different sources that should see it through the next 15-20 years or more—with the Netherlands, the Soviet Union and most recently, Algeria.

The Federal Republic's only abundant domestic reserve of energy, however, is coal, of which it has enough, by most reckonings, to meet its entire energy requirements for the next 75 years without mining deeper than 1,500 metres below ground. This is leaving out of account the still substantial reserves of brown coal, mined mainly in the Rhineland region by opencast methods, which provides about 10.2 per cent. of total primary energy needs.

Yet hard coal has seen its share of total primary energy use drop from 36.2 per cent. in 1967 to only 19 per cent. in 1976, while actual production last year was, at 89m. tonnes, not much more than half the 151m. tonnes dug in 1956. Currently, thanks to the crisis in the European steel industry, the German coal industry is watching unsold stocks mount tnwards the 20m. tnnnes mark, nr nearly a quarter of last year's production.

Investment

While coal migbt theoretically fill the cnuntry's total energv needs, enormous investment in extendine pits, further mechanising operations and trainine of miners would be needed, and the industry is unwilling to undertake these without assurances that the coal will find buyers. What is also uncertain is whether Germany's abundant coal ought to be sold, as at present, to the electrical generating and steel industries, or whether the country would be better served by putting it to use as source of gas, oil and chemical feedstocks at present derived from imported middle eastern crude oil.

The attraction of nuclear energy to West German planners is that it appears to offer cheaper electricity than that generated by burning coal thus making not only for direct economic advantages but adding to the arguments in favour of the more "exotic" uses of coal—most of which are likely to be worthwhile only if large quantities of cheap power are available for processing and refining it.

West German Government plans drawn up in concert with the electrical utilities originally called for an installed nuclear generating capacity of as much at 45,000 MW by 1985, though sharp reductions in energy use since the onset of the 1974-75 recession led this figure to be reduced to 37,500 MW, which many experts now believe also to be too high. A common median figure now being used is 30,000 MW. This compares with actual installed capacity of about 6,500 MW this year, with a further 14,000 MW under construction.

Bitter opposition to the entire programme from environmentalists and "citizens' initiative" groups, however, has cast doubt over the completion even of the nuclear plants under construction, let alona those still in tha planning stage. They have successfully nsed tha courts to impose an effactive ban on completion of the current programme until final disposal of highly radio-active waste products has been assured.

A geologically suitable site for depositing the most dangerous fission products bas been found in salt caverns below Gorleben in Lower Saxony, close to the frontier with East Germany. Federal Government experts are keen to begin exploretory drillings there following a report by scientific advisers to the Reactor Safety Board and the Radietion Protection Commission last week that endorsed it as meeting all the necessary conditions.

Yet the political battle is far from over. The Lower Saxony Government is clearly afraid to give its blessing to the use of Gorleben for radioactive waste disposal before next year's elections, and the Federal Government, still unsure of its own supporters, has so far hesitated to push Lower Saxony too hard.

A time is approaching, however, when the politicians will have to grasp the nettle. An increasing number of economists, business leaders and scientists are solemnly warning that unless the nuclear plants currently under construction are allowed to go ahead, West Germany risks serious energy shortages by about the middle of the next decade at the latest. According to the IFO Economic Research Institute, if only those nuclear plants which will be completed by 1981 are allowed to go ahead, there will be a shortfall of no less than 20,000 MW by 1985, which, it argues, cannot be filled by any other source. In addition, as many observers have pointed out, environmentalists are unlikely to find large numbers of big, new coal-burning power stations any more to their liking.

Obvious

Some of the more obvious consequences of the effective moratorium on nuclear power plants, in the form of lay-offs in the nuclear branches of the engineering industry, have already begun to be felt. The industry, with only an increasingly difficult export market to turn to, has warnad repeatedly that once its skilled workforce is scattered, it may never recover its present undoubted technical strengths.

In terms of broad economic policy, e complete moratorium on nuclear power has been estimated to threaten at least 2.5m. jobs over the next 10-12 years. In terms of energy policy, it would presumably lead in the ahort term to a further increase in the 53.1 per cent. share nf oil in West Germany's primary energy use pattern last year.

A.D.

The European Space Agency's Meteosat weather satellite in Messerschmitt-Bölkow-Blohm's integration hall at Ottobrunn. Meteosat is Europe's contribution to GARP, the Global Atmospheric Research Programme.

Messerschmitt-Bölkow-Blohm's helicopter division at Ottobrunn, near Munich.

Integration dilemma faces aerospace

THE WEST GERMAN aerospace sector, like its British and French counterparts before it, is having to get used to the uncertainty and discomfort of life as a political football. The industry's basic problems are not really in dispute. All parties agree that it needs rationalising and setting on a firmer financial base. Most of all, it needs the assurance of work unless several thousand highly skilled people are to lose their jobs. How can all this be achieved in such a way that the industry can continue to meet national defence requirements, keep up its role in the great European and trans-atlantic co-operation projects and, finally, satisfy its shareholders?

Until early this autumn, it had been assumed that the solution to the industry's difficulties lay in a merger between its two biggest companies, Messerschmitt - Bölkow - Blohm and the German - Dutch Vereinigte - Flugtechnische-Werke-Fokker, perhaps at a later stage bringing in the third major airframe builder, the privately-owned Dornier. Such appears to have been the hope of the Federal Economics Ministry State Secretary, Herr Martin Grüner, who has had the delicate task of trying to persuade the industry to get together while lacking power to make it do so.

For the time being, however, there are obstacles to such a merger, creating a single, giant West German company, which make it less certain that it will now be carried out. Neither company has been enthusiastic about it, and discreet contacts between the two managements are thought to have got no further than Herr Grüner's earlier efforts to arrange terms. VFW-Fokker has run into the hesitations of some of its Dutch shareholders over how far they want to be tied in with what would in effect be the creature of the bigger partner in the merged group.

Strain within the Dutch-German group over how short-time working out to be shared has not helped, either. For its part, MBB has proved understandably reluctant to pay more than a knock-down price for taking over VFW-Fokker's heavy losses on its biggest purely German project, the VFW 614 short-haul, 44-seater jet airliner.

Nationalisation

As if all this were not enough, the trade unions—notably IG-Metal which represents most of the industry's skilled workers—have stepped in to call for outright nationalisation as a way of avoiding redundancies. At the same time, the Governments of the Federal States most immediately concerned by the looming aerospace employment crisis have also intervened, in some cases buying substantial (and blocking) minority shareholdings in the two companies, and in other cases making clear that they stand ready to provide short-to-medium term cash assistance if it is needed. Somewhat reluctantly, Bonn has announced that it, too, will put up money to help the industry find its way towards a new structure, though Herr Grüner has left no doubt that the last thing the Federal Government wants is to be forced into a full takeover.

Yet there is no sign of how or when the public sector's intervention is going to come. It is not clear whether Bonn still hopes to see MBB and VFW-Fokker's German interests merged, and if so whether it is willing to underwrite the losses which will be incurred at the VFW Bremen and Lower Saxony factories on the VFW 614 programme, once present Government financing for long-lead items expires.

What has become better understood is that ownership, whether by private shareholders or by the public sector, is not the only key to the problem of sharing out more equitably the work that is available. At its crudest, this can be cast as an old quarrel between north and south Germany, with the steady diet of military work (the MRCA Tornado and Alpha-Jet) going to the south, while the north has come to depend on the civil sector (the VFW 614, limited work on the F-27 and F-28 and above all, the German share in the European A-300 Airbus programme).

The nettle to be grasped is that of closing down smaller and older plants, such as that belonging to VFW-Fokker at Speyer, while concentrating work in the more economical centres. Fresh capital from the private shareholders for the viable parts of the industry is unlikely to be forthcoming until the unions and the state and federal government can provide some longer-term solution to this essentially political part of the problem. It is anyone's guess how many of the industry's 51,000-odd jobs will then disappear.

Projects

Sharing work out, for West Germany no less than for Britain or France, means taking decisions on aircraft projects. It is at this point that the problem becomes still more complex, for the West Germans have, with the VFW 614, learned the hard way that it is no longer possible for any of the European countries to set about a major civil programme on its own.

Co-operation with the rest of Europe is still the industry's—and the Government's—principal goal. Enormous importance is attached in Germany to the airbus project as the European's best and possibly last chance to build and sell an airliner that can compete with the Americans. Bonn, no less than Paris, and without the bitter complications of the Concorde affair, will be keenly watching the fate of Eastern Airlines' trial leasing of four of the aircraft from early December, and will be especially alert to any fresh signs of protectionism in the U.S. Congress against Europe's efforts to get a foothold in the crucial American market.

All-important for West Germany is the future shape of European co-operation. What it hopes to see is agreement between the European Governments and aerospace industries on collaboration in future projects along the lines that have worked well enough in the airbus group, the Panavia consortium building the MRCA Tornado and, not least, the enormously complex European Spacelab project for which the VFW-Fokker subsidiary ERNO is the project co-ordinator. All these projects, in the German view, have shown that European managements and workers can deliver the goods when they are presented with a clear brief.

With MBB occupied on the MRCA project and Dornier — as always, happy to be left to itself — hard at work on the Alpha-jet, no immediate decisions present themselves in the military arena, unless it were to shift part of the work around the country. For the Airbus, where Bonn and Paris have both granted funds for the pre-definition phase studies of the scaled-down B-10 version, the Germans are keen to see the British Government join the consortium—a move that would give British Aerospace some 30 per cent of the work. If Britain turns the invitation down, it goes without saying that there is plenty of spare capacity in German and French aerospace factories to take on this fat additional share.

Looking further ahead, the West Germans are still leaving their options open on the new "family" of 120-160 seater airliners suggested by the French Aerospatiale group fo[r the] 1980s, in rivalry to simi[lar pro]posals put forward in [...]. But what West German[s want] at all costs to avoid is th[e alter]native to further Europ[ean co-]operation — the relega[tion of] the industry everywhere [on this] side of the Atlantic to t[he role] of junior partner or g[...] sub-contractor to the An[...] giants.

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The motor industry picks up again

GERMANY'S love affair with the motor-car continues unabated. Passions which temporarily cooled in 1975 following the oil crisis returned with fervour in 1976 and remain unabated in 1977.

Last year, the West German motor industry turned out 3.9m. units, and this year production is likely to reach 4m. The outlook for 1978 is rather less clear. However, experts seem to be predicting another good year, although sales may dip slightly as demand this year could be running a little ahead of itself.

Profits this year should be good. Volkswagen, the country's largest motor manufacturer, this month (October) reported that it is well on target for another year of profits topping DM.1bn. (£248m.). Adam Opel, the West German subsidiary of General Motors, is also expecting to do well, despite warnings from the management that the increase in overheads in 1977 would exert some pressure on profits.

While everybody expected 1977 to be a good year, the strength of the market appears to have taken most observers by surprise. Adam Opel's forecast last year that 1977's performance should equal that of 1976 was treated with some scepticism. Events have proved that Opel, was if anything, on the conservative side.

Stagnation

By the half-year mark the Verband der Automobilindustrie (VDA), West Germany's motor industry federation, reported that output was running 5.2 per cent. up on the figures for the first half of 1976. Growth was almost entirely a result of increase in car and estate vehicle production, while the 1 per cent. increase reported from the commercial vehicle sector indicated that it was in a state of virtual stagnation.

Production during the first six months of the year amounted to just under 2.19m. vehicles of all types, compared with just under 2.02m. manufactured in 1976. Car and estate output was up 8.9 per cent. at just under 2.02m. units. But the commercial vehicle sector, suffering from decreased demand for heavy vehicles, reported production of 166,000 units.

Although the commercial vehicle branch of the industry may well be going through a period of declining demand, all the motor manufacturers—popular and up-market—are doing very well. There is also good news on the export front, where manufacturers, notably Volkswagen, had taken a bit of a basbing, particularly in the U.S. market.

West Germany's motor manufacturers can hardly be blamed for this as the rise in the value of the D-mark against other major trading currencies pushed prices out of line in many markets. Labour costs in the industry are probably among the highest in the world, and things are made more difficult because there are certain constraints on improving them.

Mr. James F. Waters Jr., chief executive of Adam Opel, pointed out recently that productivity standards here were well below those of Japan and the U.S. They lagged behind the U.S., he contended because there were more work days on the calendar in America than in Germany—a reference to the large number of public holidays in the Federal Republic and the fact that German workers' vacation periods were far longer than those of their American counterparts. In Japan's case it was more a result of differing levels of work intensity.

Be that as it may, exports of cars and estate vehicles during the opening six months rose by 9 per cent. on the first half 1976 figures to reach 969,900 units—good grounds for jubilation even if overseas sales of commercial vehicles were 2 per cent. down at 99,800. One of the encouraging signs is that Volkswagen is more than clawing its way back into the U.S. market despite stiff competition from the Japanese.

Late last year, things were still looking bleak for the group's sales in North America. Deliveries to U.S. customers were a full 34 per cent. below the previous year's dismal figures, and in a desperate bid to regain some of its former dominance in the market, the VW Board decided to set up an assembly plant there. The site chosen was Westmoreland, Pennsylvania.

However, at the Frankfurt Motor Show last month, an ebullient Herr Toni Schmuecker, VW's chief executive, was able to announce that U.S. salea had risen by 29 per cent. during the first eight months of 1977 to 210,000 units. He said be was particularly pleased with sales of the Rabbit—the American name for its Golf model. These bad risen by more than 50 per cent. to 115,000 units, much closer to the production capacity planned there.

The prohlems caused by the high value of the D-Mark, bowever, should not be underestimated. Adam Opel, for instance, in 1977 held out of the U.S. market for the second year in a row, and there is ne sign that they are planning an early return there. Although all the concerns in the industry are highly export orientated, the mass manufacturers, at least, bave not been seeing the same rate of return on export sales as on their deliveries to the domestic market.

Up-market manufacturers, of course, have different problems. Companies such as Daimler-Benz and BMW have been able to sell everything they can lay their hands on. Here the difficulties are the pleasant ones of reconciling beavy demand with the necessity to keep production at levels at which quality can be maintained.

Daimler-Benz remains the most important of the West German quality car makers, with a current manufacturing potential of 370,000 units a year, of which 160,000 are diesel powered. The concern is expanding by launching a new range of estate cars, which will increase annual output to 430,000 units. Currently, customers have to wait up to two years for the most popular models, although delivery perioda are far shorter for tha more expensive models.

The Mercedes test department in Stuttgart.

Sporty

BMW, the ether hig independent quality car producer, apecialisea in sperty saloons aimed at the younger market and thuse drivers who like performance matched with comfort. Since 1975, the company has completely remodelled its range and, after producing some 275,000 units in 1976, is aiming at 285,000 this year. Aeain. customera have to wait for delivery, though hy no means as long as for a Mercedea.

However, competition has entered the quality car market in the shape of Adam Opel's new Senator and Monza modela, which will replace the ageing Diplomat and Admiral. These were unveiled at the Frankfurt Motor Show, and planned production will far outstrip output of the models they replace, which this year was running at about 17 a day. Opel is still not diselosing tbe production rate, but Mr. Waters agreed that it would be well over 100 a day.

Things may be comfortable at the upper end ef the market, but the mass manufacturers are acutely aware of their high level of overheads in comparison with competitors from other countries. VW's Herr Schmuecker perhaps spoke for the industry as a whole when he said: "We must attempt to keep our handicap in the costs sector within limits by further rationalisation of all aspects of the organisation. We need the realisation that rationalisation investment is not to be seen as a method of destroying jobs, but as a prerequisite for the maintainance of competitiveness and. thus, the assurance of jobs. We must further see to it that our products have the advantages which the customer is prepared to pay for at the higher price."

"An example of this innovative thinking is that the West German mass manufacturers have moved into the diesel market, a place where Daimler-Benz has been for some time. Volkswagen'a diesel-powered version of the Golf has heen a major success, and delivery can take up to a year. Opel has followed VW'a lead and is planning to double the output of its dieael-powered cars by 1978. Its diesel engine manufacturing capacity will by that time be increased from the current 50,000 a year to 100,000.

Even so rationalisation remains a watchwerd in the industry, and it is a sign of the times that a greater proportion of capital investment la going into getting more ont of existing plant and eliminating bottlenecks than in constructing new ones.

G.H.

A BMW production line in Munich.

Role and power of the unions

BRITISH INDUSTRIALISTS often look with envy at the West German trade union movement. The 16 large unions, each covering an industrial sector, have a reputation for moderation and positive thinking which in British eyes appears almost Utopian. It does not, however, always seem that way here.

Certainly, the advantages accruing to an employer from dealing with a single union representing the entire workforce are manifold. For a start, there are no such things as inter-union demarcation disputes, while the wealth of the unions, coupled with their philosophy of hiring the best brains available, means that the employers' representatives are usually dealing with men of a higher professional calibre than they would meet around the negotiating table in Britain.

Added to this, the unions appear to believe that the employers and workers have a strong common interest, that of ensuring that the company is profitable. Until recently the main cause for argument was over the distribution of those profits—how much should go to the workers, how much to the shareholders and how much for re-investment.

A West German industrialist with workforces in both the Federal Republic and Britain recently summed up the situation like this. First he stated that he had no problems at all with his British labour force, but he went on: "Britain's labour relations problems are caused not only by bloody-mindedness between employers and the unions, but by bloody-mindedness among the unions themselves."

Ideology

"The British trade unions have no common goal, nor do they have a common ideology. Some confine themselves to improving their workers' pay and conditions; others have vague aims of socialisation of the economy although these are rarely well-thought through and do not seem to extend much further than demands for nationalisation. Their lack of professionalism makes them difficult to deal with, but their relative lack of size and common goals means that their ability to impose socialisation on the economy is really only confined to disruption."

For him the situation in West Germany was potentially more worrying. "The West German unions are large, powerful and, to a great degree, have common goals. In many ways, they are in a much better position to impose their will upon industry, not only in terms of wages but on the question of who is to run the country's industry," he said.

There are many who appear to think as he does. The chief executive of an important chemical group pointed out recently that wage settlements in a number of important industrial sectors during the recession could not really be termed moderate at a time of zero growth and—compared with world figures—modest inflation rates.

Last year average wages grew by just over 7 per cent. and the year before that the increase was somewhat higher. In all probability average wage rises will be rather steeper this year. Direct pay, however, is only part of the picture.

The West German trade unions lay great store in improving their members' fringe benefits—including social security payments, health care, subsidised meals, pensions and savings schemes in which the employer contributes. These now contribute as much as a third of personnel costs in some industries.

When the fringe benefit element is added to the cash wage settlement, the picture of the unions' achievement changes substantially. For instance, when I. G. Metall, the giant metal workers' union, settled for a 6 per cent. pay rise at the end of 1975—at a time when there were no real signs of a significant pick-up in the economy—the employers estimated that the improvement in fringe benefits brought the real level of the settlement up to about the 11 per cent. mark.

The unions are also demanding—and getting—a much bigger say in the running of the country's major companies. This year concerns with more than 2,000 workers are implementing the provisions of a law which gives the workers, through their unions, near parity on the supervisory boards. Shareholders still, in theory, hold the upper hand in that they appoint the chairman.

It remains a point of trade union policy, however, to press for the introduction of parity on the supervisory boards—a move that is being stiffly resisted by the employers. Many, however, seem resigned to the fact that it will come.

A view among some employers is that the current near parity will make very little difference in practice to the running of companies. One said: "The power will remain with the executive boards. If anything it will strengthen their power considerably—especially if the shareholders' representatives and the workers' representatives are divided. Parity would probably amount to the same thing."

Diverse

Others are less sanguine. A leading Frankfurt banker pointed out that shareholders' representatives frequently had diverse interests. Bankers, investment institutions, large private shareholders and small investors each tended to see companies differently. "In this case," he said, "the unions could easily employ divide and conquer tactics."

Few on the employers' side believe that the trade unions would be irresponsible in the exercise of their power, although there are some fears that there is an overly strong representation of the extreme Left Wing youth movement of the Social Democratic Party in the unions' apparatus. On past experience, the unions have shown "responsibility," for instance, they have always been prepared to negotiate productivity agreements, including substantial redundancies as part of their pay settlement packages.

But this, perhaps, contributes in large part to a potentially more serious problem. There are grounds for feeling that the huge trade union bureaucracies are gradually losing touch with their memberships. They are, in the main, not drawn from the ranks, but are highly educated specialists. In many respects, the issue of increasing representation and parity on the supervisory boards reflects these fears.

A recent survey of workers' opinions indicated that 51 per cent. of the country's labour force valued job security way ahead of either increased pay or representation on the supervisory boards. While surveys are occasionally notoriously inaccurate, it was interesting to note that a poll of the employees of BASF, one of the "big three" chemical concerns, indicated that a majority would rather have as direct a say as possible in the running of the company than have intermediaries act for them.

The Frankfurt banker said: "The signs are there that the unions are getting out of touch with the shop floor. Parity on the boards could well widen the gap in understanding. If the unions gain parity, they will, from time to time, have to be party to decisions which run counter to the immediate interests of the workers—at least if they wish to preserve the health of the companies they are helping to run.

"Unions already have a big influence on the running of West German companies. An employer would be foolish, for example, to take a decision to lay off workers without full consultation with the unions. Up until now the unions have been able to bide behind the board and claim that unpleasant measures were imposed on them and unavoidable.

"This excuse will run pretty thin even with near parity. With parity, itself, it will not work at all. If professional trade union officials are seen in this position it could well drive the final wedge between the and their members. unions split into fight tions, German industry well find itself in industry's situation. catch the English ness"..."

"There is an old proverb: "If it's not were pots and pans there be no need for tinkers ever, a group of workers Hoechst chemical nodded agreement with their member who told long ago: "I am not time yet, but I am about my job. I that the company is to build a big plant in to make the stuff the working on. If that what is going to happen What is the use of a if you lose your job but it. What is the use of union bigshots on the you are out of work!"

Mounting cost of welfare

IN THEORY, the West German pension and unemployment systems and the official health scheme are separate entities. In practice, they are interlinked and—as each has financial problems—are presently pushing off expenditures on to each other with the Government's permission.

Unemployment, less steeply rising incomes, a drop in the pensionable age, the growing number of pensioners in proportion to the working population, and—in the case of the health insurance plan—a cost explosion have combined to lead the much admired system into trouble.

Few in need of help have slipped through the social security net during these past years of recession, but it is questionable whether the country can still afford so expensive a system.

The social security contributions paid by an individual wage or salary earner have by now reached a total of 16.5 per cent. of income; this is matched by the employer. (Taxes and social security payments together now take no less than a 31 per cent. lump out of average earnings against only 23 per cent. in 1970.) This breaks down into 1.5 per cent. for unemployment insurance, 6 per cent. for health insurance and 9 per cent. towards an old age pension. There is a level of income above which contributions are not further increased. Next January this level will go up to DM3,700 a month from DM3,400 at the moment in the case of pensions contributions and to DM2,775 from DM2,550 in the case of health insurance contributions.

Deficit

This means that many insured people whose incomes are above the old level will find themselves paying a total of just under DM1,100, split with their employer. Small wonder that Herbert Ehrenberg, the Minister of Labour, did not dare advocate a further increase in contribution rates to help the pension funds avoid a threatening deficit of more than DM80bn. by 1980.

When the Government could not go back on its election promise to raise pensions by nearly 10 per cent. last July because of massive public protest, it became apparent that cost saving reforms were necessary. Thus, two Bills were passed earlier this year which came into effect three months ago.

The first revised the mechanism of the index-linked pension in such a way that wage increases between 1975 and 1977 are going to determine the next pension rise instead of the period 1974-76. This formula leaves out 1974, when wages went up by 12.5 per cent. The increase payable should therefore be 7.3 per cent. rather than 8.5 per cent., according to the Labour Ministry's calculations.

Furthermore, the next adjustment will not be made until January 1, 1979—stretching the time to one and a half years against the present year.

The rest of the package consisted primarily of making the Federal Labour Office take on the pension contributions of the unemployed from the beginning of 1979. Since then—with more gloomy economic data available showing no prospect of a fall in the number of people out of work in the near future—the date has been pulled forward to mid-1978. This should bring the ailing pension scheme an additional DM1.4bn., though it is unclear where the labour office will find the money.

A separate Health Bill was aimed at the spiralling costs of the sickness insurance plan. Before it became law, shocked West Germans saw the spectacle of extremely highly paid doctors and dentists closing their practices in a token show to defend their interests. Aided by the pharmaceutical industry, which also feared Government intervention in its exceedingly profitable market, the medical profession voiced its opposition to all savings measures other than higher contributions on the part of their patients.

Yet the Bill provided for a regular "concerted action" meeting of representatives from all branches of the health sector to decide on income guidelines based on national average wage rises, costs and working hours. A ceiling on medicine prescriptions was introduced and a "transparency list" of comparable drugs was compiled to allow doctors to prescribe more economically.

The insured themselves have had to start footing the bill for non-prescription me Their share of dental bi been increased and eve has had to get used to DM1 for each separate i a prescription. Premiun have to be paid for childr had been insured free of with their mother—if sh no income—when the f earnings are above the D a month level. The healt in a spa, the envy of Ger neighbours, is no longer granted so lavishly as the days of the ec miracle.

Curiously enough, the insurance funds have r been reporting improved for the period before measures took effect—that the first half of this year the same period of las Now they are afraid th second part of the bill th been clamouring for wil adverse effects on their h

Lowered

Up to July the pension had reimbursed the healt for pensioners' health co up to 17 per cent. of tota sion expenditure. This li been lowered to 11 per ce health funds may be s offset this loss by savin medicines. Here costs we by only 2.7 per cent. be January and April this against 13 per cent. in the period of 1975. It seems th number of "pill monsters the Ministry of Health recently described the citizens who take more seven medicaments in months—is dwindling aft

It remains to be seen wh the piecemeal repairs, channelling of obligations one side of the social se system to the other, will Already there is talk of a DM15bn. gap in pension fi before 1980. If the rece continues. The outlook i longer term is even bleake real structural reform o system may be unavoi under a constitutional cour ing which demands that wi —who at the moment re only 60 per cent. of dec husbands' pension — widowers should be tr alike by 1984. In view o fact that husbands get th pension when their wives the question arises of whe money should come from.

Elgin Schro

The annual jollification of the Oktoberfest in Munich.

ʾresident Carter and the Fed

By STEWART FLEMING, New York Correspondent

The money supply conundrum

Dr. Arthur Burns

: CARTER Administration . the unusual step last rsday of issuing a press ce warning that higher in- at rates could threaten the iomic recovery. It was ·kly assumed that the warn- was aimed directly at the eral Reserve Board and its :rman, Dr. Arthur Burns.

or the past six months the ', the U.S. central bank, has n following a monetary .icy which led it—according , conventional economic ·ysis—to push up short ı interest rates by close to percentage points.

other banks follow the lead by Citibank—the second est U.S. bank—the Prime ː which banks charge on s to their best customers bave risen from 6¼ per . to 7¾ per cent during period. It is not just the that the Fed has been play- in the money markets, how- . which prompted the ulation about Dr. Burns' re. On January 31 next ı3-year-old chairman's four- appointment expires. 'e is little doubt that at some of President Carter's ır advisers would like to the back of him.

. Burns and the Carter nistration have clashed on omic policy on a number ·casions since the President ' to power. Even before President took office Dr. ıs was questioning the need ı fiscal stimulus under con- ·ation by Mr. Carter's ·ers.

hile these clashes have been frequent than many had ıcted, and while to some ıt they reflect traditional ons between an indepen- central bank and the ical administration it has to work with, there are grounds for believing the disagreements run deeper. The Carter Administration is Democratic, and for all the President's own financial conservatism, it has a political commitment to reduce unemployment. Dr. Burns was a staunch Republican when Mr. Richard Nixon appointed him chairman of the Fed in 1970. Since 1974 he has secured a reputation as the nation's chief inflation fighter. His preoccupation with this battle has threatened to conflict with the wider political concerns of the Administration.

But it is too easy to jump from such arguments to the assumption that last week's Press statement was a hint that the administration wanted Dr. Burns out. Such an assumption pays too little attention to the difficulties of finding a replacement.

There are other issues for the President to consider. He is under increasing pressure from business over economic policy. Earlier this month the Business Council, an influential group of top executives of the largest U.S. companies, said it was a "major cause of pessimism" in the business community that the administration "has not spelled out a consistent economic philosophy or programme."

Business

Dr. Burns is one of the men with hands on the levers of economic power who are widely reckoned to inspire business confidence. Some senior executives admit frankly that along with the choice of a successor for Mr. Bert Lance and the forthcoming details of the tax reform proposals, whether Dr. Burns goes or who replaces him is of key importance in judging the administration.

Whatever one makes of the complex issues surrounding the future of Dr. Burns as chairman of the Fed, it is clear both from public statements of administration officials and the published minutes of the Fed's own Open Market Committee (FOMC) that a fierce debate about the direction of monetary policy is under way in the government and outside.

Fed monetary policy is based on the belief that it can have a considerable influence on economic growth and inflation, and that in implementing Fed policy more emphasis has been placed on controlling the money supply than was the case a few years ago. This shift of emphasis is itself under attack from economists who point out that the money supply data is unreliable for a variety of reasons, including inadequate seasonal adjustment.

Nevertheless, with money supply in mind the Federal Open Market Committee, comprising the seven members of the Board of Governors and five heads of the 12 regional Reserve Banks have, since 1974, set growth targets for the various measures of the money supply. There are two distinct targets —long term, covering four quarters; and interim, covering one. There is an upper and lower limit to the range, the aim being to try to ensure that money supply grows fast enough to sustain economic growth, but not fast enough to stoke the inflationary fires.

For the M1 measure of the money supply, for example, the current target for the second quarter of 1977 to the second quarter of 1978 is from 4 per cent. to 6½ per cent. M1 aims to measure the amount of currency in the hands of the public, plus demand deposits at banks.

Over the past two years the Fed has had mixed results in meeting its targets. Figures prepared last month by the New York investment bankers, Salomon Brothers, show that since the second quarter of 1975 the Fed has managed to keep the narrow M1 money supply below the upper long term target, at least until the end of the second quarter of 1977. But since the fourth quarter of 1975, the M2 measure, which includes time and savings accounts, has been consistently above the long run target.

There have also been three and four week spurts of the growth of money supply. Last April M1 grew at an annual rate of 20 per cent. for example. This year these bursts appear to have been getting more regular and to be responding less quickly to the Fed's attempts to restrain them. Thus after the April spurt there came another in July, and another at the beginning of this month. The result has been that for the past six months according to figures compiled by the J. Henry Schroder Banking Corporation, M1 has been growing at around 9.5 per cent. compared with the long term target of 6½ per cent.

Hence the mounting chorus of criticism that the money supply is getting out of control. One of the aspects that this criticism tends to overlook is that M2 which includes time and savings accounts has not been accelerating so disturbingly. Some economists suggest that this may lead the FOMC to place more emphasis on this aggregate.

This makes it especially difficult to decide how to respond if the increases continue.

These problems would be big enough at the best of times, but in addition the issue is posed at what is widely thought to be a difficult period for economic policy generally. Since the third quarter real growth of Gross National Product fell to 3.8 per cent. at an annual rate, from around 7 per cent. in the first.

There are fears on Wall Street that the economy could be heading into a recession with inflation still running at 6 per cent. and perhaps accelerating. The Carter Administration is already saying that some fiscal stimulus may be needed early next year to keep the economy moving in late 1978 and 1979.

Credit

For the Fed to tighten credit again at such a time on the strength of money supply data which it cannot satisfactorily explain is not an easy decision to make. Mr. Charles Schultz chairman of President Carter's Council of Economic Advisers, may have made the decision more difficult. Employing one of the more esoteric concepts in the monetary economists' arsenal, Mr. Schultz argues that a slowdown of the "velocity" of the circulation of money— the rate at which money changes hands—may mean that the faster growth of the money supply that is being experienced may be needed.

The members of the FOMC seem to be well aware of the delicacy of their task in setting monetary policy at this juncture. On September 26, before a congressional subcommittee, Mr. Charles Partee, a member of the FOMC, remarked that "with unemployment rate nationally hovering around 7 per cent. we would not want to contribute to conditions in credit markets that might imperil the prospects for sustained economic recovery."

Further clues to FOMC views emerge from the minutes of its meeting of September 20, published on Friday. In what can readily be interpreted as a reference to the velocity of money debate, the minutes quote a remark that the fast growth of M1 "might represent a return to a more typical relationship between that rate and the growth rate in nominal Gross National Product following a period in which the demand for money has been held down by changes in financial practices."

Beyond the technical debate there lie the broader issues which are stirring political and economic anxieties. Thus monetarist economists such as Prof. Milton Friedman, complain that the Fed has failed to act firmly enough to control the money supply, and that its excessive growth could possibly lead to double digit inflation in 1978 or 1979. Prof. Friedman argues that the Fed has been paying too much attention to the White House in setting its monetary policy.

For its part the Carter administration is making it clear that so far as it is concerned the Fed has pushed its monetary policy close to the point where higher interest rates threaten economic expansion by damaging interest rate sensitive sectors of the economy such as housing and capital investment.

Last week the FOMC met again, and in a month's time the contents of its deliberations will be published. Investors on Wall Street will be watching closely over the coming weeks to see which way the Fed is moving. If money supply continues to grow rapidly, will it harden its credit policy again, or will it grit its teeth and hope that the sharp interest rate increases of the past six months and the slower growth of the economy will bring monetary growth under control?

Whatever it does, it is facing criticism from both sides. If it fails to act, its credibility as the nation's independent inflation fighter will be assailed by monetarist economists. If it tightens credit and raises interest rates it will have moved closer towards a conflict with the Administration.

Some would argue that this would sink Dr. Burns' chances of reappointment. But the President need not decide that issue until January in all probability. Both in economic and in political terms that is quite a long way off.

Letters to the Editor

·lational value ·r investment

ı Mr. A. MacGregor

·,—It is worth developing separate ideas of Messrs. l and Rooke (October 13 and o demonstrate that for much ur public investment we do obtain national value.

e man who costs £3,322 p.a. ives £2,095 p.a. net, however is employer is the state, to ntents and purposes he only ı £2,095 p.a. If that man were nployed he would still be by the state, say at a cost of 00 p.a. To the nation as a le the national marginal cost ·mploying that man is only p.a.

ondon Transport proposes to ıd £55m. on automatic ticket ection, to collect £6m. p.a. unpaid fares and to save 0,000 on reduced staff. We e seen above that we as a ion with high unemployment l not save the £500,000. Fur- r any economist will agree t if the non-payers are forced pay, some of them will stop velling by tube, so LT will not over the full £6m. What it ·s, in fact, recover, ignoring ation, must come from re- ·ed expenditure elsewhere in · economy, by definition reduc- employment and reducing in- ect tax revenue.

Vhat LT is proposing is that should invest £55m in non- ·ductive equipment to achieve at to the nation is a futile ernal accountancy exercise ich will have the socially un- ·irable effect of increasing un- ployment. The operating loss profit of public industry is elevant to the wealth of the tion.

The entire SD1 Rover develop- ·ent and plant cost us £95m. r 3 000 direct jobs, the new ·rd engine plant is reputed to costing us £70m. for 2,000 rect jobs. By investing in ese productive factories we are ırchasing an asset which will ovide employment and added ealth in the future. If the ·n has £55m. to spend, we probably purchase over ·orkplaces which will help e both our economic and problems. Can anyone ex- how the same money ·ed in ticket machines will ıs earn a standard of living the rest of the world?

·il there is a genuine short- ·f labour, not one created by of differentials, as a nation achieve next to nothing omically and less than noth- ·ocially by reducing services ·mployment in the public sec- The stupidity of investing ·tal to achieve this end can · be appreciated by our over- competitors.

our Prime Minister really ·e Moses, as Mr. Jay sug- ·ted, he would be crying out the accountancy profession ·et My People Go." As a nation ·e must learn to account in ·rms of national wealth added. T. MacGregor. ·illiers Court, ·ldore Terrace. W 2.

Placement of ·graduates

·m the Director of External ·ations, London Graduate ·ool of Business Studies.

·ir. — The interest shown by ·ur readers last year in the ·cement of graduates from our ·ster's programme has en- ·uraged me to seek the hospi- ·lity of your columns for a ·ief review of our experience ·is year. The 1977 masters ·ass consisted of 70 students ·om the U K and 30 from over- ·as. There were 15 women on the course. The average age of the class on graduation was 27.

The receding tide of inflation and the strength of sterling have improved the prospects for British business which, in turn, have given rise to a heightened interest in recruiting young men and women with the potential to manage in what is hoped will be an era of expansion. Almost 200 companies have been in direct communication with the school regarding specific job opportunities and, of course, there are many more companies which have been in touch with our students as a result of general advertisements. The following tables show the destination of masters graduates over the past three years:—

General sector of the economy	1977 %	1976 %	1975 %
Manufacturing	49	47	45
Banking and financial services	15	20	19
Trading and service companies	16	13	19
Consultancies	9	9	9
Public sector	3	4	4
Own company	8	7	4
Area of first appointments			
Finance	22	24	29
Marketing	17	23	15
Planning	17	13	14
General management	16	9	16
Consultancy	15	15	11
Management services	9	2	7
Production	4	5	8
Personnel	—	9	—

These statistics reveal a fairly constant pattern of employment of our graduates. Manufacturing industry absorbs by far the highest percentage of Business School students and Finance and Planning provide the most favoured functional opportunities, followed closely by Marketing. Many of our students espouse the view that small is beautiful and believe that they will have an earlier opportunity of exercising their newly acquired skills in a small or medium-size business. The high percentage who go into the field of general management is a reflection of this attitude. There has also been a steady growth in the number of graduates going into business on their own account. Students remain unconvinced of the advantages of going into the production side of manufacturing but there has been a noticeable increase in inquiries about production recruits from engineering companies which may lead to better results next year.

The average salary of those who found employment in the U.K. was £7,300, excluding the considerable fringe benefits which have been a feature of this year's job offers. Salaries ranged from £6,000, which was offered to the 23-24 age group without previous business experience to £8,700.

The most encouraging aspect of the recruitment season has been the appearance at the school of many small and medium-sized British companies looking for highly trained recruits to help them in their plans for expansion at home and abroad. There has been a growing demand for foreign language qualifications in job specifications and London Business School has been able to respond to this requirement because we encourage the learning of a second language and we offer an International Management Programme which enables students to study and work in France and in the United States.

The great majority of our graduates start off their new careers in this country, but this year we are also providing recruits for companies who have interests in Singapore, Hong Kong, Japan, Australia, the U.S., Saudi Arabia, Mauritius, Switzerland, Belgium, Holland and Germany.

Ian Bruce.
London Graduate School of Business Studies,
Sussex Place,
Regent's Park, N W.1.

Preference shares

From Mr. S. Bavister.

Sir,—Mr. Stern's article entitled "Comeback for Preference Shares" (October 14) does not, I feel, consider fully the differing effects of an issue of preference shares as opposed to an issue of Ordinary shares to the price of a company's Ordinary shares.

It is necessary to look at the longer term effects where a company may at a later date undertake capital expansion financed by a fixed-interest loan. Any issue of Ordinary shares will participate in the additional profits (after interest on the fixed-interest loan) whereas preference shares will not. Thus if Ordinary shares were originally issued to finance the first expansionary phase the profits of the second expansionary phase (fixed interest financed) will have to be distributed over a larger number of shares than if preference shares had been issued. This must surely have some effect on the price of the Ordinary shares.

I can only conclude, therefore, that issuing preference shares must have some gearing effect as time passes which must be taken into account in any company's financial strategy.

S. C. Bavister.
5 High Street,
Kingswood,
Wotton-under-Edge, Glos.

Oil and gas in the U.S.A.

From the Manager, Policy Development and Economics, Continental Oil Co.

Sir.—Your front page report (October 14) on President Carter's attack on the U.S. oil and gas industry accusing it of "the biggest rip-off in energy history" contains inaccuracies and omissions.

You state that the Senate "voted to allow the price of new gas to rise immediately above $1.76, said it should reach $3.36 per thousand cubic feet by 1985 and then two years later all price controls on gas should be removed." In fact, the Bill which passed the Senate provided for controls for two years at approximately $2.50 per MCF (the BTU equivalent of No 2 distillate in NY Harbor) and then deregulation of new on-shore gas. For new off-shore gas, the Federal Energy Regulatory Commission would set the price for five years, thereafter new off-shore gas would be decontrolled. The Bill sets no specific figure of $3.36 nor does it provide for decontrol of all gas as your report implies. It should also be pointed out that the Senate passed a decontrol measure last year and the current Bill is a modified version of that Bill so that the Senate position has not been arrived at after hasty lobbying by the oil and gas industry.

With regard to oil, the well-head tax does not bring the price up from $5 per barrel as you state but from an average which is currently near $8.50 per barrel to the world price in three stages. The statement that newly discovered oil can be priced at the world level and is not taxed is incorrect. The administration intends to introduce a tier of "new" oil on a very restricted definition which would exclude many genuinely new discoveries. Moreover the oil would be subject to corporate tax and to royalty so that the net proceeds to oil companies would be probably of the order of 40 per cent. of gross revenue. Since this tier of oil would be introduced under existing price control legislation which controls U.S. domestic oil prices by means of a composite average, the introduction of a tier above the average implies reduced prices for oil below the average. In fact the FEA has already reduced future price schedules for lower and upper tier oil thus having the effect of making the prices for these existing tiers of production less than prices received in February 1976 in constant dollar terms.

Your report also fails to state that to support his remarks President Carter quoted gross revenue figures for 1985 implying that they were not income figures. In deriving those gross revenue figures he made the assumption that all price controls now on flowing "old" gas would be decontrolled on termination of existing contracts. In fact the Senate Bill does not provide for this.

The President's remarks suggesting that the oil and gas industry were "potential war profiteers" were intemperate and based on distorted data. Between the years 1972 and 1976 the industry has invested considerably more than its cash flow from profits and depreciation by increasing its indebtedness. During the next decade it is likely that capital investments will need to be doubled in real terms and the industry will not be able to provide for this unless cash flow from on-going operations is increased. It was from concern to provide the required cash flow and thus the much needed future oil and gas supplies that the Senate has challenged the assumption of President Carter's energy legislation.

J. Alan Cope.
Continental Oil Company,
Stamford, Connecticut 06904.

Magnificent aircraft

From Mr. D. Cutler

Sir,—The interesting Lombard Column by Anthony Harris (October 20) was very much to the point except on one count viz the reference to the VC10. There was no "misguided ingenuity" about the development of this magnificent aircraft —indeed it is one of the tragedies of civil aviation that it was not adopted to the maximum extent by U.K. airlines which failed to foresee the remarkable passenger preference which would by experienced mainly owing to the outstanding quietness inside the plane. In fact it will be remembered that on many occasions the VC10s were fully booked while the 707s were flying across the Atlantic with many empty seats. There was also the feeling of greater safety in a plane which could land at a lower speed and in a shorter space.

With a much larger initial adoption of this aircraft the unit cost would have been lowered and the subsequent history might well have been very different. It is perhaps significant that relatively recently the Chinese expressed great interest in this plane and it is believed that consideration was even given to the feasibility of resurrecting the production line!

D. G. S. Cutler.
9, Woodlands Road
Surbiton, Surrey.

To-day's Events

GENERAL

Cabinet considers Treasury proposals for public spending over next five years.

Mr. Denis Healey, Chancellor of the Exchequer, expected to discuss his Mini-Budget proposals with TUC.

EEC Fisheries Ministers begin two-day meeting, Luxembourg.

European Parliament begins new session, Luxembourg.

Mr. Morarji Desai, Indian Prime Minister, continues visit to Soviet Union.

Zambia Independence Day.

Closing speeches begin at Windscale public inquiry, Whitehaven.

British Caledonian Airways starts its non-stop service from London to Houston, Texas.

Greek trade mission visits London Chamber of Commerce.

Dr. John Cunningham, Under-Secretary, Energy, opens British Gas School of Engineering, Killingworth, near Newcastle upon Tyne

Institute of Actuaries ordinary general meeting, Staple Inn Hall, High Holborn, W.C.1, 5 p.m. Sir John Habakkuk, Principal, Jesus College, Oxford, gives Alfred Watson Memorial Lecture on "Universities and Vocation"

City of London Police security exhibition opens, Old Library, Guildhall, E.C.2, noon (to 3.30 p.m.). Opening hours from October 25 to 28 are 10 a.m. to 3.30 p.m

Lord Mayor of London attends Fruiterers' Company dinner, Mansion House, E.C.4.

OFFICIAL STATISTICS

Construction new orders (August).

COMPANY MEETINGS

See Week's Financial Diary on Page 12.

OPERA

Royal Opera production of Don Carlos, Covent Garden, W.C.2, 7 p.m.

MUSIC

Tessa Nicholson gives piano recital of music by Bach, Mozart, Schoenberg, and Chopin, St. Lawrence Jewry next Guildhall, E.C.2, 1 p.m.

Elizabeth Priday (soprano) and Timothy Day (organ) perform works by Monteverdi, Frescobaldi, Gibbons, and Purcell, St. Andrew-by-the-Wardrobe, Queen Victoria Street, E.C.4, 1.05 p.m.

Collegium Con Basso (two violins, viola, cello and double bass) play works by Mozart, Michael Haydn, and Genzmer, Wigmore Hall, W.1, 7.30 p.m.

Janet Baker (mezzo-soprano) and Andre Previn (piano) in programme of Cavalli, Haydn, Schumann, Previn, Fauré, and Head, in aid of Venice in Peril Fund, Royal Festival Hall, S.E.1, 8 p.m.

SPORT

Tennis: Slazengers tournament, Bournemouth.

G. R. Dawes to pay an initial 100p a share

Shareholders of G. R. Dawes Holdings, the Birmingham-based financial and industrial concern whose Board is proposing that it should be placed in members' voluntary liquidation, are expected to receive an initial distribution of 100p a share soon after the liquidator is appointed in December.

This is foreshadowed in a letter to shareholders from the chairman, Mr. Howard Dawes, which states that, following disposals, the company had £5.9m. surplus cash, worth about 100p a share, available at the end of September 1977. Of this sum, £4.4m. represented the proceeds of sales of the Anelmo, Geeco Products and C. G. Paxton companies, after allowing for liabilities and tax, and £1.5m. represented accumulated cash surplus in liabilities of the banking subsidiary.

Further disposals—some to Mr. Howard Dawes and other directors—are to bring in £2.3m. cash, worth 39p a share, are to be proposed for shareholders' approval at an extra-ordinary meeting in mid-December, when the winding-up resolution will also be put forward.

In addition to these sums, representing 139p a share, Mr. Dawes lists certain other assets for realisation. These include banking advances of £835,000 and other debts and assets estimated at £155,000. Further, there are remaining assets in the shape of the 30 per cent. stake in Ryland Vehicle Group and certain let properties. Of these it is said that it is not in the interests of the company for an indication of their value to be given. The timing of their realisation can also not be predicted.

In first announcing the liquidation proposal in May, the directors foreshadowed that the proceeds would be worth not less than 125p a share. The shares afterwards went higher, reflecting market hopes of a larger payout in capital form, and on Friday the shares closed 3p up at 155p.

In his letter, ahead of the annual meeting on Friday, October 28, Mr. Dawes says that at the extra-ordinary meeting in December, shareholders will, in addition to considering the winding-up resolution, be asked to consider proposed disposals which require their approval. These are says Mr. Dawes, "proposed disposals of assets to me, my fellow executive director, Mr. B. G. Rose, and non-executive directors, Mr. N. G. K. Dawes, and as regards Cole of Bilston, also to certain members of the Cole family."

These proposed disposals of assets, to yield £2.3m., comprise in the main the leasehold interest in Neville House, and the share capitals of Rabone Peterson and Cole of Bilston.

No allowance for the costs of the liquidation has been made in the figures listed in the circular.

It is to be proposed that Mr. E. B. Joynes, a partner in Price Waterhouse, the chartered accountants, should be appointed liquidator. It is hoped that, shortly after his appointment, he will make an initial distribution to shareholders of 100p a share.

BOARD MEETINGS

The following companies have notified dates of Board Meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims:—B.S.G. International, British Investment Trust, Hawker Marris, Hoveringham, Outwich Investment Trust, Randalls Group, Steel Bros.

Finals:—British Car Auction, Highland Distillers, Highland Electronics, North Atlantic Securities.

FUTURE DATES

Interims:—

Arrow	Nov 3
Ambrose Investment Trust	Nov. 2
Boosey and Hawkes	Oct. 26
Boots	Nov 10
Bulmer and Lumb	Nov. 17
Canadian and Foreign Investment Trust	Nov. 3
Crossland (R. and A. G.)	Oct. 25
Fidelity Radio	Oct. 25
Geers Gross	Oct. 26
Grand Shipping	Oct. 26
Hartwells	Nov. 8
Henderson (P. C.)	Oct. 27
Ricking Pentecost	Nov. 29
Reed International	Nov. 1
Scottish Ontario Investment	Oct. 25
Tozer Kemsley and Millbourn	Oct. 26

Finals:—

Jokai Tea	Oct. 26
Wolverhampton and Dudley Breweries	Dec. 6

FT Share service

The following securities have been added to the Share Information Service appearing in the Financial Times:—

Ametek Inc. (section Overseas —New York), El Oro Mining and Expl. (section: Trusts—Finance, Land), Exploration Co. (section: Trusts — Finance, Land).

Good start at Dowding & Mills

THE CURRENT year has started reasonably well at Dowding and Mills and the first two months are slightly ahead of the same period last year, says Mr. K. H. Sharp, the chairman. Whether the next four months will continue on the same trend will depend on the activity of industry generally, he tells members in his annual statement.

As reported on September 23, turnover for the year to June 30, 1977 expanded from £7.34m. to £9.3m. and profits advanced from £1.1m. to £1.43m. The dividend is lifted to 1.075p (0.963p) net.

The retained profit plus the depreciation charge amount to £598,491 and the whole of this sum has been applied towards the record expenditure of £630,764 on new fixed assets.

The new purpose built workshop at Nottingham, which replaced the company's Pinxton branch, was opened in April and a large part of capital expenditure was used on this project, states the chairman. He says that the directors have other major projects on hand, including the construction of extensions to the Birmingham and Sheffield branches.

Falkirk Electrical Winders and Contractors and William Windings (now renamed Dowding and Mills (Western)) both made a reasonable contribution to increased profits, in their first full year with the group.

Plans are in hand to construct a new larger purpose built workshop at Falkirk, near the existing premises and designed to a similar specification to the Nottingham works, Mr. Sharp reports.

A statement of source and application of funds shows that bank balances decreased by £311,368 (£180,491 increase) during the year.

Meeting, Birmingham, November 18 at noon.

Meeting, 10, Belgrave Square, S.W., November 14 at noon.

ments field 33.7 per cent. of the equity and Crest Nicholson 28.6 per cent.

Outlook at Cray Electronics

MR. W. R. R. HAINES, the chairman of Cray Electronics, says in his annual statement that the group has to make its success in the areas it knows best, has a proven record, and at the same time needs to pursue a diversification programme to widen the product and customer base.

As reported on October 11, pre-tax profits for the year to April 30, 1977, fell from £535,219 to £441,706 and the dividend is increased from 1.3p to 1.33p net.

The chairman explains that the major item that influenced the results was the effect of the cut-back in orders by the Post Office during the year, which resulted in a 20 per cent. reduction in orders for the company's manufacturing unit concerned. All the company's other divisions traded at a profit, although Mr. Haines adds that results for some units were lower than expected.

Two new activities were started by the company during 1976/77, one being the entry into the office products market with special microfiche readers developed for financial and related markets, and the second being the formation of a joint company with the National Research and Development Corporation to develop and market a specialist machine utilising numerical control. The chairman says that the company will be on the lookout for further ventures that fall within the compass of its financial resources and an acceptable level of risk.

The group's main activity continued to be the supply of development and manufacturing services to industry and Government departments and that despite pressure on Government expenditure the company's level of business for the Government continues to be satisfactory.

Mr. Haines adds that the forward order book, with the exception of the division concerned with Post Office supplies, is 25 per cent higher than the same time last year and the group has the capacity to meet this increased demand.

A source and use of funds statement shows a decrease in bank overdrafts of £180,236 against £327,174.

At September 30, Sper Investments field 33.7 per cent.

London & Strathclyde stays in U.S.

Despite the disappointing performance of U.S. markets London and Strathclyde Trust intends keeping its interest there until the stock market more adequately reflects the outlook for the economy. Meanwhile the trust is earning a good return on its money with the prospect of dividend increases says Mr. W. C. Allan, the chairman, "and the dollar will not be out of favour as a currency for ever."

As reported on October 8, gross revenue rose from £362,485 to £618,234 for the year to August 31, 1977, and pre-tax revenue advanced from £287,483 to £352,333. Stated earnings were ahead from 1.13p to 1.38p per 25p share and dividend is lifted from 1.25p to 1.375p net.

Meeting, 2, St. Mary Axe, E.C., on November 16 at 2.30 p.m.

Winding-up orders rescinded

Compulsory winding-up orders which were made against three companies, Coolelan, Masino and John Bryant and Co. (Bristol), have been rescinded in the High Court. All three petitions were dismissed.

Second half recovery by Joseph Hoyle

In the second half of the year to March 31, 1977 Joseph Hoyle and Son cut its pre-tax loss from £61,257 to £4,146 and this resulted in the full year deficit falling from £95,047 to £43,976.

Loss per 25p share is given at 6.2p against 12.6p and again there is no dividend.

The company operates as spinners and manufacturers.

	1976-77 £000	1975-76 £000
Turnover	3,477,895	2,578,731
Depreciation	30,104	31,802
Interest	12,435	18,354
Pre-tax loss	43,976	95,047
Tax	2,042	*1,884

*Restated due to the adoption of Exposure Draft 19

Dualvest earns more and pays 2.353p interim

Pre-tax revenue of Dualvest rose from £303,280 to £334,528 for the half year to September 30 1977 and the interim dividend is lifted from 2.102p to 2.353p net per 50p income share. Last year's final was 2.011p and revenue £607,748.

Six months tax took £122,758 compared with £114,100. Net asset value per £1 capital share is shown as 391½p (290¼).

Mr. David Wickins, the chairman of British Car Auctions. Full year results are due to be announced to-day.

BIDS AND DEALS

Wrengate will proceed despite Sime Darby

Wrengate intends to proceed with its revised offer for Assam Frontier subject to receiving the recommendation of the Board.

The revised offer has already been rejected by the major shareholder in Assam, Sime Darby, which controls 53 per cent. of the voting rights. A spokesman for Rothschild and Sons, advisers to Wrengate, said that he hoped "the Board of Assam may yet persuade the major shareholder to accept the offer." However, the Board of Assam includes several people closely connected with Sime Darby.

JESSEL URGES REJECTION OF BID FOR DOLAND

Mr Oliver Jessel, a director of George Doland who is opposed to the recommended bid from Maurice James Industries, has written to shareholders urging them to reject the terms. If he raises enough support he intends to call a shareholders meeting to change the composition of the Doland Board.

Mr Jessel, who through other companies owns over a quarter of the Doland equity, says that the stated earnings multiple in the bid document of 11.73 under-estimates the value of the shares. The exit multiple based on earnings per share of 3.47p for the year ending January 30 and the cash offer of 25p a share is 7.2 and not the 11.73 referred to in the bid document, he claims.

He argues that if an earnings multiple of 11.73 is appropriate the offer price ought to be 40.7p per share. He sees no reason why the dividend, which the company has Treasury permission to raise to 1.75p net this year, should not be increased to 2.5p net next year, with a further increase in 1978-79. After a professional valuation of Doland's properties the value of £378,000 is approximately 7p a share above the book value. There are assets of 34p a share, he adds.

LONDON AND NORTHERN

Northern Land Contractors, a subsidiary of London and Northern Group, has agreed to sell its 83.17 per cent. shareholding in Compressor Services to Elangin, a new company formed for the purpose of acquiring CSL. With repayment of net indebtedness and a consideration of £80,000, Northern Land Contractors will receive £482,090, during November.

ASSOCIATES DEALS

Brewin Dolphin and Company on October 17 bought for Celestion Industries 5,000 Wood Bastow at 115p.

N. M. Rothschild and Sons has purchased on behalf of Northern Engineering Industries 495,000 International Combustion (Holdings) Ordinary.

Morgan Grenfell and Company has bought on behalf of Diamond Shamrock Corporation 50,000 Lankro Chemicals at 201p and 20,000 at 200p.

Chambers and Remington has bought on behalf of Caparo Investments 25,000 Empire Plantations and Investments at 25½p ex. dividend.

SHARE STAKES

Excalibur Jewellery: Mr. H. Showell has disposed of 550,000 Ordinary shares. Mrs. C. L. Showell has disposed of 550,000 Ordinary shares and Mrs. M. C. Showell has acquired 1,100,000 Ordinary shares.

Royco: Throgmorton Street Nominees has sold 250,000 shares reducing holding to 6.5 per cent.

Allebone and Sons: Throgmorton Trust has sold its holding of 625,000 shares and no longer has any shareholding in the company.

Braid Group: Arondene Securities has acquired an additional holding of 25,000 Ordinary shares in the company and now holds the equivalent of 29.52 per cent.

Wagon Finance Corporation: Friends Provident Life Office has advised the company that it has taken up the allotment of 177,083 shares allotted under the recent rights issue increasing its holding to 1,239,583 shares.

Park Place Investments: Mr. G. A. Thomas has bought 10,200 Ordinary shares.

Orme Developments: Mr. R. J. Mitchell has sold 3,500 Ordinary shares on October 10. Mr. A. G. P. Whitfield and Mr. R. L. Tanner have each purchased 1,750 Ordinary shares on the same date.

British Tar Products: Associated British Foods Pension Scheme now holds 605,000 (3.2 per cent.) Ordinary shares.

BEC CHIEF AND COUNTY BANK TO ACCEPT SRE

In the latest counter offensive against the bid from Derritron, British Electronic Controls' chairman Mr P. S. Lane has written to shareholders recommending them to vote in favour of the recent offer from SRE (the company formed to do battle with Derritron).

Mr. Lane and the County Bank intend to accept in respect of their holding of around 9.12 per cent. of the equity. SRE is offering 30p cash for each BEC ordinary share. Although Mr. Lane says that SRE's offer places a lower value on BEC than the Derritron share and cash offer of 2 ordinary Derritron shares plus 3p cash he stresses that 82 per cent of Derritron's equity is owned by Amalgamated Industrials.

This in turn was under bid from Mr. P. C. Hegard, through Targis Investments, for the 10 per cent. of Amalgamated which he does not already own. Acceptance of the Derritron offer could mean that the shareholders would become minority shareholders in a company in which there is only a limited market on the stock exchange, he added.

Inquiry told of need for Smaller Business Agency

BY DAVID FREUD, INDUSTRIAL STAFF

THE NEWLY-FORMED Union of Independent Companies has recommended the establishment of a Smaller Business Agency to stabilise interest rates for smaller companies.

Its suggestion comes in a memorandum to the Government inquiry set up in September under Mr. Harold Lever, Chancellor of the Duchy of Lancaster.

The union says that independent companies are being denied funds from banks and other institutions, not because they are unprofitable or cannot present their case effectively but because they cannot provide the level of security demanded on the basis of the lender's valuations.

"There is, therefore, an urgent need for Government to help overcome two problems: lack of consistent, realistic rates of interest and lack of security for borrowings."

The union suggests that the best way to tackle these would be by the establishment of a Smaller Business Agency which would subsidise interest rates at a consistent level and, in certain circumstances, guarantee repayment of secured borrowings.

The union also calls for a range of adjustments to recent employment legislation which, it claims, has led to small independent companies not taking on additional workers even when they have an opportunity to do so.

Other recommendations include:

1. The establishment of a Government committee to examine the effect of recent legislation clause by clause.

2. A review of the fund methods of redundancy payments, which the union says are inhibiting risk ventures.

3. An extension of the period in which an employer can dismiss a "not quite suitable" employee from six months to two years.

4. The forfeiture of a week's wages for dismissed employees who bring a frivolous claim for unfair dismissal.

Experimental

● Mr. Albert Booth, Employment Secretary, announced at the week-end that about 1,150 new full-time jobs had been created in special development areas by small companies which had taken advantage of the Government's small firms employment subsidy.

He told a conference in Cumbria on "How to Start Your Own Business" that small firms should expand now, with the help of Government money.

The subsidy, which is experimental, was introduced in July and is open for applications until the end of the year. It pays £20 a week for every extra full-time job created by manufacturing companies in the special development areas which are employing fewer than 50 people at the end of March.

Mr. Booth said: "This is not a crutch for limping firms but a hard cash encouragement to lusty industrial infants who want to grow—and grow now."

So far some 1,500 new jobs had been created and more were in the pipeline. Since the scheme began more than 1,150 firms had applied, of which 950 had been accepted.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051 548 6555)	9¾	½-year	1,000	4-7
Liverpool (051 227 3911)	8½	½-year	500	3
Liverpool (051 227 3911)	7¾	½-year	500	2
Redbridge (01-478 3020)	9¾	½-year	200	4-7
Thurrock (0375 5122)	9¾	½-year	200	4
Thurrock (0375 5122)	10	½-year	200	5-7
Wrekin (0952 505051)	10	½-year	500	5-7
Wrekin (0952 505051)	10½	annually	1,000	4

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Pending dividends timetable

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent. shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

	Date	Announcement last year		Date	Announcement last year
[illegible] Foods	Nov. 8	Int. 0.7125	Manganese Bronze	Nov. 17	Final 9.23
[illegible]	Nov. 3	Int. 1.22	Matthews Hldgs.	Oct. 31	Int. 1.1
[illegible] Power	Oct. 28	Int. 1.1361	*Metal Box	Nov. 22	Int. 3.95
[illegible]	Oct. 27	Int. 2.4	[illegible]	Oct. 27	Int. 2.31
[illegible]	Oct. 24	Int. 0.4875	Minster Assets	Nov. 18	Int. 1.1
[illegible] Ireland	Nov. 1	Int. 4	[illegible]	Nov. 18	Int. 1.3
[illegible]	Nov. 8	Int. 1.98	*Paterson Zochonis	Oct. 25	Final 2.24
[illegible]	Nov. 20	Int. 0.9745	*Philips Lamps	Nov. 23	Int. Fls.0.60
Shipley	Nov. 17	Int. 2.5	*Press (Wm.)	Oct. 27	Int. 0.61
Ryder	Nov. 10	Int. 4.53	Rank Selection	Nov. 18	Final 33 cents
[illegible]	Nov. 12	Int. 1.2	Readicut Int.	Nov. 3	Int. 0.3756
[illegible]	Nov. 10	Int. 1.232	Redland	Nov. 9	Int. 1.7394
[illegible]	Nov. 11	Int. 1.6338	*Reed Intnl.	Nov. 1	Int. 3.9655
[illegible]	Oct. 27	Int. 2.156	Richardsons Westgarth	Oct. 18	Int. 1.05
[illegible]	Nov. 9	Int. 2.335	Sainsbury (J.)	Nov. 16	Int. 1.95
[illegible] Property	Oct. 28	Int. 1.25	*SGB Group	Oct. 31	Int. 2.11
[illegible]	Oct. 26	Int. 2.6	*Smith (W. H.) "A"	Nov. 10	Int. 3.39
[illegible]	Oct. 26	Final 3.895	*Smiths Inds.	Nov. 3	Final 3.7722
[illegible]	Nov. 18	Int. 1	*Spillers	Nov. 23	Int. 0.6325
[illegible]	Oct. 28	Int. 3.5	[illegible]	Nov. 4	Int. 1.13
Wrightson	Nov. 11	Int. 1.188	*Telephone Rentals	Oct. 26	Int. 1.375
[illegible]	Oct. 24	Final 3.77	*Tozer Kemsley and Mill.	Oct. 26	Int. 0.6263
[illegible]	Nov. 3	Int. 2.25	*URM	Nov. 8	Int. 1.75875
[illegible]	Nov. 14	Int. 1.5	Unilever	Nov. 17	Int. 4.18
Save [illegible]	Nov. 3	Final 2.584	Wedgwood	Nov. 15	Int. 3
[illegible]	Nov. 18	Int. 1.5	Whitbread	Nov. 16	Int. 1.6373
[illegible] Brick	Oct. 27	Int. 1.1323	Wolseley Hughes	Nov. 17	Int. 2.25
[illegible]			Dudley Brews.	Dec. 8	Final [illegible]
[illegible] Secs.	Nov. 25	Int. 1.25	Wood Hall Trust	Oct. 28	Final 4.335
[illegible]	Nov. 7	Final 3.5442			
Denby	Nov. 1	Int. 1.6			

* Board meetings intimated. † Rights issue since made. ‡ Tax-free. § Scrip issue since made from reserves.

Public Works Loan Board rates

* Non-quota loans B are 1 per cent. higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Equal repayments. Effective from October 15.

Years	Quota loans repaid by EIPT†	by ERI‡	at maturity	Non-quota loans A* repaid by EIPT†	by ERI‡	at maturity
Up to 5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5, up to 10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10, up to 15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
15, up to 25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RECENT ISSUES

EQUITIES

Issue Price p.	Amount Paid up	Latest Renunc. Date	1977 High	1977 Low	Stock	Closing Price p.	+ or −	Div. Amount	Times Covered	Gross Yield	P/E Ratio
F.P.			211½	211½	[illegible] Inc.	£11½	+½	Q60c	2.5	4.4	11.4
300		15/10	400	341	BP [illegible]	587	+12	u17	1.4	3.5	22.2
F.P.		18/11	71	62	South Crofty 10p	67		4.12	1.6	9.3	10.5

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1977 High	1977 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p.	Amount Paid up	Latest Renunc. Date	1977 High	1977 Low	Stock	Closing Price p.	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

BASE LENDING RATES

A.B.N. Bank	6 %	■ Hill Samuel	§6 %
Allied Irish Banks Ltd.	6 %	C. Hoare & Co.	†6 %
American Express Bk.	6 %	Julian S. Hodge	7 %
Amro Bank	6 %	Hongkong & Shanghai	6 %
Henry Ansbacher	6 %	Industrial Bk. of Scot.	7 %
Banco de Bilbao	6 %	Keyser Ullmann	6 %
Bank of Credit & Cmce.	6 %	Knowsley & Co. Ltd.	[illegible]
Bank of Cyprus	6 %	Lloyds Bank	6 %
Bank of N.S.W.	6 %	London & European	6 %
Banque Belge Ltd.	6 %	London Mercantile	6 %
Banque du Rhone	[illegible]	Midland Bank	6 %
Barclays Bank	6 %	■ Samuel Montagu	6 %
Barnett Christie Ltd.	[illegible]	■ Morgan Grenfell	6 %
Bremar Holdings Ltd.	[illegible]	National Westminster	6 %
Brit. Bank of Mid. East	6 %	Norwich General Trust	6 %
■ Brown Shipley	6 %	P. S. Refson & Co.	6 %
Canada Permanent AFI	6 %	Rossminster Accept'cs	6 %
Capitol C & C Fin. Ltd.	[illegible]	Royal Bk. Canada Trust	6 %
Cayzer Ltd.	6 %	Schlesinger Limited	6 %
Cedar Holdings	[illegible]	E. S. Schwab	[illegible]
■ Charterhouse Japhet	6 %	Security Trust Co. Ltd.	[illegible]
C. E. Coates	[illegible]	Shenley Trust	[illegible]
Consolidated Credits	6 %	Standard Chartered	6 %
Co-operative Bank	6 %	Trade Dev. Bank	6 %
Corinthian Securities	6 %	Trustee Savings Bank	6 %
Credit Lyonnais	6 %	Twentieth Century Bk.	[illegible]
Duncan Lawrie	6 %	United Bank of Kuwait	6 %
Eagil Trust	6 %	Whiteaway Laidlaw	[illegible]
English Transcont.	[illegible]	Williams & Glyn's	6 %
First Nat. Fin. Corpn.	[illegible]	Yorkshire Bank	6 %
First Nat. Secs. Ltd.	[illegible]		
■ Antony Gibbs	6 %		
Goode Durrant Trust	6 %		
Greyhound Guaranty	6 %		
Grindlays Bank	6 %		
■ Guinness Mahon	6 %		
■ Hambros Bank	6 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 3%, 1-month deposits [illegible].
† 7-day deposits on sums of £10,000 and under 3%, up to £25,000 [illegible], and over £25,000 [illegible].
‡ Call deposits over £1,000 3%.
§ Demand deposits 3%.
¶ Rate also applies to Sterling Ind. Secs.

INTERNATIONAL COMPANY NEWS

Astra looks for profit gain on devaluation

BY WILLIAM DULLFORCE

STOCKHOLM, Oct. 23.

ASTRA, the Swedish pharmaceuticals company, reports a marginal increase in earnings to Kr.68m. (£8m.) for the first eight months but expects 10 per cent. devaluation of the Krona at the end of August to boost earnings for 1977 as a whole into the Kr.110-115m. bracket.

This 7-12 per cent. profit growth during the year would fall short of the forecast given to the annual general meeting in April, when earnings were expected to grow faster than the 15 per cent. rate scheduled for turnover.

Sales during the first eight months were on target with a 15 per cent. increase to Kr.1.09bn. (£128m.). This pace should be maintained through the last fourth months to give a 1977 turnover of Kr.1.7bn.

During the first eight months pharmaceutical sales within Sweden rose by 10 per cent. to Kr.304m. while foreign turnover continued to grow faster—by 20 per cent. to Kr.492m. The volume of deliveries declined in several countries but sales expanded by 25-40 per cent. in Britain, West Germany and Australia.

Investments during the report period totalled Kr.88m. and are expected to reach Kr.125m. by the end of the year compared with Kr.98m. last year. At the end of August Astra had liquid assets and unused credit lines totalling Kr.110m., a decline in liquidity of Kr.10m. over the previous 12 months.

* * *

THE BOARD of Kabi, the State pharmaceuticals concern, this week approved Kr.185m. in new investments, of which Kr.135m. is for a new plant at Brunna, near Stockholm. This will extract oil from soya beans for use in the manufacture of Intralipid, a fat emulsion which makes it possible to infuse nutrients directly in patients' blood streams.

Kabi is also investing $8m. in a similar Intralipid plant to be built in the U.S. in collaboration with Cutter Laboratories.

Océ dividend up

BY MICHAEL VAN OS

AMSTERDAM, Oct. 23.

THE DUTCH reprographic company Océ-van der Grinten has announced an increased interim dividend of Fls.3.60 a share of Fls.20, which is up Fls.0.20. The returns for the first three-quarters of this year include the results of the U.K.-based Ozalid companies which joined the group in April through Océ's U.K. holding company.

The Océ Board *confirms* its expectation that the net profit per share in the capital as increased by the rights issue of April will be equal to that of 1976. In the nine-months' period, total sales were on sharply to Fls.847.9m., from Fls.544.7m. in the same period last year, while net profits rose to Fls.27.6m. (Fls.22.2m.).

The Ozalid results related to eight months only, since that group's financial year started on January 1, while Océ's year commenced last December 1. It has now been decided that the financial year of Ozalid will run concurrently with that of its parent company.

Business at the Ozalid group, as well as its own business, was developing satisfactorily, the Board said.

Océ's total operating costs, including depreciation, went up to Fls.784.5m. in the first nine months (Fls.495.96m.), leaving an operating profit of Fls.63.3m. (Fls.48.7m.). The balance of non-operating income and charges rose to nearly Fls16m. (Fls.7.9m.), so that the pre-tax profit was Fls.47.4m. (Fls.40.9m.). The tax charge is given as Fls.19.6m. (Fls.18.3m.).

Océ's statement, which pointed out that the Ozalid results had been arrived at in accordance with its own consolidation and valuation principles, added that the net profit per share in the first three-quarters was up to Fls15.81 (Fls.14.93) and the cash flow per share to Fls.43.08 (Fls.36.19).

Interest-free $10m. loan for Turkey

THE ISLAMIC Development Bank has agreed to provide Turkey with a $10m. interest-free loan, AP-DJ reports from Istanbul.

Proceeds will be used to pay for coal that Turkey imports from Anker Kolen of the Netherlands, and Thyssen Inc., a U.S. subsidiary of West Germany's August Thyssen-Hutte AG. The coal is used at the Soviet-built, state-run Iskenderun Iron and steel complex in southern Turkey.

Officials said the loan would be repayable in equal instalments over the next 27 months. The Turkish Central Bank, one of the signatories of the accord, guaranteed repayment of the loan.

Islamic Development Bank, established by oil-rich states, provides interest-free loans to poorer Moslem countries.

Money and Exchanges

Bank of England Minimum Lending Rate 5 per cent. (since October 14, 1977)

Any ideas that Bank of England Minimum Lending Rate was likely to fall again last week were quickly dispelled on Monday. Discount houses appeared to be more willing to sell Treasury bills than on previous weeks, and their buying rates for bills remained around 4¼-4⅛%.

There was little movement in rates until Wednesday, when a signal from the Bank of England pushed buying rates up to 4½-4⅝ per cent. and then to 4¾-4⅝ per cent. after the message was repeated on Thursday. On both days the authorities lent a moderate amount to the market for seven days as part of their assistance, and this was to indicate that the Bank of England wish to see no further fall in short-term interest rates.

Since there was little danger of a further cut in Minimum Lending Rate last week it must be assumed that the authorities were looking further ahead, to this week and perhaps beyond. Making a determined effort to prevent a further downward trend from starting.

At the Treasury bill tender on Friday the average rate of discount rose by 0.0646 per cent. to 4.4635 per cent. and Minimum Lending Rate was unchanged at 5 per cent.

Fears about the U.S. trade deficit continued to overshadow the foreign exchange market, but indications that the U.S. Administration is not looking for a further depreciation of the dollar, led to a partial recovery by the currency on Thursday. The dollar's trade-weighted average depreciation since the Washington Currency Agreement, as calculated by Morgan Guaranty of New York, narrowed to 1.20 per cent. at the end of the week from 1.56 per cent., reflecting the U.S. Treasury Secretary's remarks about the U.S. economy, and the recent weakness of the Canadian dollar.

The Canadian dollar fell to a low point of 89.60 U.S. cents on Tuesday, but had improved slightly by Friday to finish the week at 90.48 compared with 91.05 previously.

The Chancellor of the Exchequer's speech about the U.K. economy on Thursday was generally well received, but the pound finished on an easier note on Friday. Its trade-weighted index on the basis of the Washington Agreement, as calculated by the Bank of England, was unchanged at 62.4.

In terms of the dollar it touched a best level of $1.7750-1.7755, when the U.S. unit was still very weak on Wednesday, and closed at $1.7694-1.7698 on Friday, a rise of 16 points on the week.

The Swiss franc continued to improve, closing at Sw.Frs.2.2552½ at the end of the week, compared with Sw.Frs.2.2762½ on the previous Friday, and is now at a higher level against the dollar than the West German D-mark.

Gold rose $2½ to $160½-161½.

Oct. 21 1977	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 days notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days or 7 days notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Local authorities and finance houses seven days' notice, others seven days fixed. [illegible]

Finance House Base Rate (published by the Finance Houses Association) [illegible] per cent. from October 1, 1977. Clearing Bank Deposit Rates for small sums at seven days' notice 3 per cent. Clearing Bank Rates for lending 6 per cent. Treasury Bills: Average tender rates of discount 4.4635 per cent.

FOREIGN EXCHANGES

Oct. 21	Bank Rate %	Day's Spread	Close
New York	[illegible]	[illegible]	[illegible]
Montreal	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]
Copenhagen	[illegible]	[illegible]	[illegible]
Frankfurt	[illegible]	[illegible]	[illegible]
Lisbon	[illegible]	[illegible]	[illegible]
Madrid	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]
Oslo	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]
Stockholm	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]
Vienna	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]

† Rates given are for convertible francs. Financial franc [illegible].

OTHER MARKETS

Oct. 21	£		Note Rates
Argentina Peso	[illegible]	Argentina	[illegible]
Australia $	[illegible]	Austria	[illegible]
Brazil Cruzeiro	[illegible]	Belgium	[illegible]
Finland Markka	[illegible]	Denmark	[illegible]
Greek Drachma	[illegible]	France	[illegible]
Hong Kong Dollar	[illegible]	Germany	[illegible]
Iran Rial	[illegible]	Italy	[illegible]
Kuwait Dinar (KD)	[illegible]	Japan	[illegible]
Luxembourg Frc.	[illegible]	Netherlands	[illegible]
Malaysia Dollar	[illegible]	Norway	[illegible]
New Zealand Dlr.	[illegible]	Portugal	[illegible]
Saudi Arab. Riyal	[illegible]	Spain	[illegible]
Singapore Dollar	[illegible]	Switzerland	[illegible]
S. African Rand	[illegible]	United States	[illegible]
		Yugoslavia	[illegible]

Rate given for Argentina is free rate.

EXCHANGE CROSS-RATES

Oct. 21	Frankfurt	New York	Paris	Brussels	London	Amsterdam	Zurich
Frankfurt	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New York	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]
London	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—

*U.S. $ in Montreal U.S. $ = [illegible] Canadian Cents. Canadian $ in New York [illegible]. U.S. $ in Milan [illegible]. Sterling in Milan [illegible]. *Rates for Oct. 19.

EURO-CURRENCY INTEREST RATES*

Oct. 21	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilder	Swiss Franc	W. German mark
Short term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Euro-French deposit rates: [illegible]. Long-term Eurodollar deposits: [illegible]. The following nominal rates were quoted for London dollar certificates of deposit: [illegible].
* Rates are nominal closing rates.
† Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs.

GOLD MARKET

	Oct. 21	Oct. 20
Gold Bullion (a fine ounce) Close	[illegible]	[illegible]
Opening	[illegible]	[illegible]
Morning fix'g	[illegible]	[illegible]
Afternoon fix'g	[illegible]	[illegible]
Gold Coins, domestically Krugerrand	[illegible]	[illegible]
N'w Sov'gns	[illegible]	[illegible]
Old Sov'gns	[illegible]	[illegible]
Gold Coins, (internat'ly) Krugerrand	[illegible]	[illegible]
N'w Sov'gns	[illegible]	[illegible]
Old Sov'gns	[illegible]	[illegible]
$20 Eagles	[illegible]	[illegible]

FORWARD RATES

	One month	Three months
New York	[illegible]	[illegible]
Montreal	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]
Brussels	[illegible]	[illegible]
Copenhagen	[illegible]	[illegible]
Frankfurt	[illegible]	[illegible]
Lisbon	[illegible]	[illegible]
Madrid	[illegible]	[illegible]
Milan	[illegible]	[illegible]
Oslo	[illegible]	[illegible]
Paris	[illegible]	[illegible]
Stockholm	[illegible]	[illegible]
Vienna	[illegible]	[illegible]
Zurich	[illegible]	[illegible]

Six-month forward dollar [illegible]. 12-month [illegible].

CURRENCY RATES

October 21	Special Drawing Rights	European Unit of Account
Sterling	0.662273	0.655525
U.S. dollar	1.17202	1.15536
Canadian dollar	1.29600	1.27791
Austria sch.	18.9968	18.7222
Belgian franc	41.4665	40.8811
Danish kroner	7.15155	7.05163
Deutsche Mark	2.65484	2.62801
Dutch Guilder	2.85312	2.81592
French franc	5.70484	5.61902
Italian lira	1033.47	1010.75
Japanese yen	298.745	294.177
Norwgn. krone	6.42598	6.33721
Spanish peseta	98.2817	96.9217
Swedish krona	5.60771	5.52725
Swiss franc	2.64472	2.60656

* Rate is for convertible franc. Financial franc [illegible].

MINING NOTEBOOK

A mine manager gets down to earth

"IT AMAZES me when, during a period of rising gold prices, I see buyers chasing after the shares of South Africa's so-called marginal mines. I think they often don't realise just how marginal they are. *And I'm sure* that if newly-fledged shareholders were to be taken down, say, East Rand Proprietary, and, *sweating at some* two miles below ground, began to realise the pressure-burst risk and other dangers, they wouldn't wait for the traditional and much-needed cup of tea on reaching the surface before hot-footing it to their brokers with selling orders."

Such was the comment of a retired mine manager to whom I was talking last week. Warming to his theme he went *on* to point out that even in the September quarter with a gold price of $139 East Rand would have been R2.6m. in the red had it not been for the money provided by the state under its main assistance scheme while the company had also been advanced R1.1m. under the supplementary loan arrangement *designed* to re-imburse *it* for losses not covered by normal government aid.

So, he *continued*, a *substantial* run-down of overall state subsidies would have to take place before this old *mine*, which started up nearly 70 years ago, could be said to have been restored to full financial health. "This would need a materially higher gold price than $160," he concluded, "and even then I would feel safer in a younger and shallower mine especially if it had a nice flavouring of uranium as a form of profits insurance."

All this reminded me of a highly-skilled arbitrage dealer who many years ago asked me whether East Rand was a producer or non-producer. He didn't seem to care much when in rather amazed tones I told him that it was a long-established mine. To him the shares were just counters in which he made money. It *seems* that some of the recent share buyers must have been adopting much the same *attitude*. Whether or not they realise it is another matter. It might be as well if they did.

Harmony hopes

A gold-*uranium mine regarded* as being poised to take a big stride forward in production of *the nuclear material is Harmony*. There was thus some disappointment on Friday when the chairman, Mr. Tony Petersen, was unable to announce at the annual meeting a firm decision to proceed with the new *R30m.* (£19.6m.) uranium plant. He confirmed, however, that negotiations were still proceeding for a contract that would include customer finance.

Johannesburg sources put the new plant's capacity at around 250 *tonnes of* uranium a year. This, added to Harmony's existing output of some 540 tonnes, would bring it to the number two spot among South Africa's uranium producers surpassed only by Vaal Reefs, although Randfontein will be vying for a place in the top three in due course.

As for Harmony's existing uranium contracts, which would presumably be at lower prices, Mr. Petersen said that they would absorb 41 per cent. of output up to 1981 with a fall to 20 to 30 per cent. by 1983 and to nil by 1985.

He had previously warned that in the current year to next June the company would not be able to match the spot sales of uranium effected in 1976-77. Nevertheless, Mr. Petersen reckoned that, providing the gold price remains above $145 (it is currently just over $160), Harmony would bring its 1977-78 dividends up to around 50 cents (32.7p). The shares have come back to 414p. They could be responsive to any fresh rise in the bullion price and to any confirmation that *the new uranium* deal has been clinched.

A lively share

Australia's Pacific Copper and its Canadian parent Pacific Copper Mines refuse to keep out of the share market limelight. Once again last week the emphasis was on the latter which rallied in Toronto from $1.93 to $2.25. This compares with a peak of $3.10 reached during the recent extraordinary outburst of speculative enthusiasm, still largely unexplained despite this column's efforts to throw light on the matter.

The latest advance was again stimulated by events concerning the Australian offshoot, this time as set out in a circular from the Canadian company. This confirmed the report given here that the purchase price of the *Barix* coal venture in New South Wales is $A4m. (£2.5m.) of which *$A1.5m.* is in cash and the rest payable in royalties over a period based on production and sales.

What is new in *the circular*, and indeed what brought the share buyers back, is a progress report on *the Torrington* wolfram operation in which Hampton Areas has an interest. Work on production expansion is *stated* to be *under* way to raise concentrating plant capacity to around 70 to 100 tonnes an hour. *Estimated* net profit at the lower rate is put at approximately $C4.5m. (£2.3m.).

Wolfram concentrates are already being shipped under a contract with *British Oxygen* that also provides for "substantial" debt finance, if required, for mining expansion. *More details* about Torrington are promised soon.

As for Pacific Copper's original Australian venture, the Cadia copper-gold deposit, this still hangs fire at the engineering and economic assessment stage for a 10,000 tonnes a day operation being master-minded by the big Estel organisation. Estimated cost of bringing Cadia to production is currently some $A50m. (£31.7m.). Proven ore reserves are now put at 43m. tonnes averaging 0.72 per cent. copper, 0.5 grams gold and 5.1 grams silver per tonne.

Where does all this leave the shares? Well, the Australian ones at 46p have a rights issue hanging over them. And in Canada the inevitable money-raising share placing by PCM is still awaited while there is undoubtedly a sizeable stale bull position to act as *a market dampener*.

In the short view, moreover, it is difficult to see what new *speculative stimulus can now* come even from this group's energetic down-under management headed by Mr. Peter Gibb. There must surely be a capital intensive period of digesting the latest expansion plans.

* * *

Good news for Western Mining's Roxby Downs copper-uranium find in South Australia? Despite that State's much publicised antipathy to uranium mining, Mines and Energy Minister Hudson has now admitted that it would be impossible to extract one mineral without the other; thinks that a mine could give a new lease of life to the rocket base town of Woomera; and describes the Roxby discovery as probably the biggest copper orebody in Australia. Perhaps Premier Don Dunstan is having another think about *his uranium policy*, anyway so far as Roxby Downs is concerned.

* * *

Shareholders in Charter, Noranda and Cominco should note that, almost exactly seven years after its discovery, this is indeed crunch week for Tara. Not only will the troubled labour situation reach a make or break point for a complete shutdown but the sharp cut in the European zinc producer price will start having a marked impact on revenue. For all those interested in this big Irish mine the only consolation is that the chance of still more bad news is surely getting slimmer!

INSURANCE

Dangers of non-disclosure

BY OUR INSURANCE CORRESPONDENT

IN THE two statements of insurance practice published during the summer—the non-life statement in May, and the life statement in August—insurers have agreed to emphasise more forcefully, in proposal forms and on renewal notices, the proposer's duty to disclose material facts before insurers underwrite the risk and provide cover, and the policyholder's duty to report any material changes of risk at each renewal.

Last week, when reading a case in the September edition of Current Law I wondered if it would have made any difference, if one of the warnings, now being incorporated in insurance forms as the result of the statements, had been in the proposal form signed by the plaintiff in the case *Patten v Grayston*, when he had sought motor cover from Swan Motor Policies at Lloyds.

Mr. Patten had wanted to buy third party, fire and theft cover, and in his proposal form had said he would garage his car in a lock-up garage at 31, Brabazon Street, Poplar, E.14. The usual declaration at the foot of the form, which he signed, related that no material fact had been misrepresented and moreover he would notify his insurers of any material change of risk subsequently: as is customary the proposal form was incorporated in the policy and formed the basis of Mr. Patten's contract with his insurers.

Mr. Patten's car was stolen from outside a friend's house and never recovered, and so he claimed on his insurance policy. In the theft claim form that he was asked to complete, in answer to insurers' questions, he said that he had no garage and that the car had been kept on a park-side space, which was clearly contrary to the information provided in his proposal form. The insurers refused to accept the claim on the grounds of non-disclosure. It seems that Mr. Patten then said that his car was garaged at a public house some two miles away from his home.

On the dispute coming to court, the judge ruled in favour of the insurers, saying that whether the car was to be garaged or not was a material fact and that further the location of the garage was also material. It was the judge's view that if a garage was two miles away from the motorist's home then the car would not be garaged at all. No-one I think can quarrel with this common sense assumption.

The case was heard in the Mayor's and City of London Court, which has jurisdiction in civil matters similar to that of the county courts in other parts of England. So far as I know it is the first case on materiality and non-disclosure to be reported (but others may have been heard and not reported) since the publication of the non-life statement of insurance practice in May.

In that statement under the heading "Claims," insurers, both companies and Lloyd's underwriters, have declared "an insurer will not unreasonably repudiate liability to indemnify a policyholder:—

on the grounds of non-disclosure or misrepresentation of a material fact, where knowledge of the fact would not materially have influenced the insurer's judgment in the acceptance or assessment of insurance . . ."

Applying this undertaking to Mr. Patten's claim, what his insurers in effect were saying was this: had Mr. Patten said in his proposal form that he was keeping his car in the open or garaging it some two miles away, insurers would have been prepared to provide him with cover against theft, or perhaps they would have been prepared to do so only at a premium which Mr. Patten would not have been willing to pay.

Both at the time that the non-life statement was being prepared and when it was first published, a number of insurers had misgivings, for they thought they might be making too many concessions to too many potential claimants. So though the dismissal of Mr. Patten's claim was not the action of a high court judge, insurers can take heart that the principles applied and the decision reached are precisely as they would have been on these facts prior to publication of the statement.

Ben Bailey slumps to £91,565

Second half pre-tax profits of building contractors Ben Bailey Construction dipped from £94,110 to £10,738 and the full year's figures to June 30 1977 were more than halved from £217,077 to £91,565.

Stated earnings are down to 0.99p (1.812p) per 10p share and the dividend is lower at 0.55p (0.819p) with a final of 0.29p net.

Turnover for the year expanded from £3.25m. to £3.69m. and after tax of £39,630 (£121,946) net profit came out at £51,935 (£95,131).

FT SURVEY OF CONSUMER CONFIDENCE

More optimism than for 7 years

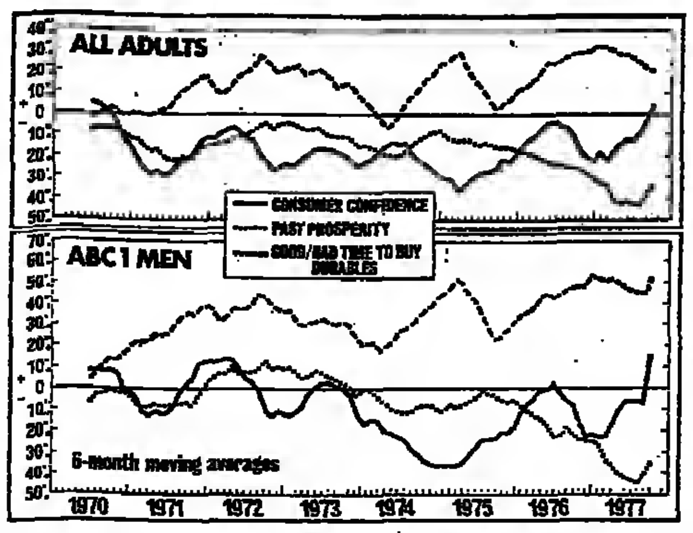
BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

A FURTHER marked increase in consumer confidence is revealed in the British Market Research Bureau's survey of financial expectations.

Interviewed at the beginning of this month, people were more optimistic about the future than at any time since the beginning of 1970.

This continues the improvement which began in the spring and means that the six-month moving average figure is at last showing a small balance of optimists.

The respondents were also feeling better off than at any time since April 1976, though they were less enthusiastic about the advisability of buying consumer durables this month—possibly because they no longer felt the same need to beat inflation by spending money now.



All the categories of people interviewed in October were more optimistic about the future than in September, though women—particularly those in manual jobs—were noticeably less confident than men.

Among all adults, the optimists outweighed the pessimists by 26 per cent., against 15 per cent. in September and 6 per cent. in August. Until the summer, the pessimists had heavily outweighed the optimists.

Positive

As a result of this sustained improvement, the six-month moving average index for consumer confidence showed a positive balance of 4 per cent.

Among professional men, the optimism was even more marked, with those expecting an improvement outnumbering by 44 per cent. those who expected things to get worse.

The six-month moving average index for ABC1 men moved into the positive last month and now shows a balance of 16 per cent.

For some time, many people seem to have based their optimism on the view that things must improve because they cannot get worse. This month, people tended to give more positive reasons for their optimism.

The proportion of respondents saying they were more confident because inflation was under control increased from 10 per cent. in September to 15 per cent. in October, while those saying the Government was doing a good job rose from 5 per cent. to 10 per cent.

The proportion of people thinking unemployment would increase also fell this month. Those expecting it to get worse still outnumber those expecting it to improve by 16 per cent.

In some areas, such as Humberside, people are even more gloomy about the prospects for employment.

Steady

The respondents are also asked each month whether they think their family is better or worse off compared to a year ago.

While in October, the proportion saying they were worse off outnumbered those saying they were better off by 20 per cent. among all adults, this is an improvement on earlier months of the year.

It confirms the more confident feelings seen in the rest of the survey. In May, 47 per cent. more of the sample thought they were worse off than those who thought they were better off.

Because of the steady improvement in the monthly past prosperity seen since July, the six-month figure for all adults is also beginning to improve noticeably.

It now shows a negative balance of 33 per cent. against 43 per cent. in May when past prosperity, as measured by the Bureau, was at its lowest point ever on a six-month basis.

The improvement this month was most noticeable among men in blue-collar jobs where those saying they were worse off compared to a year ago outnumbered those saying they were better off by 15 per cent. against 25 per cent. last month.

Inflation

Women from the same background did not think things had got noticeably better since September. It is these C2DE women who still seem to be feeling worst bit by inflation.

In a special question this month, married women were also asked whether they thought they would get a 10 per cent. rise in their housekeeping money if their husbands got a 10 per cent. salary increase.

Just under half said they thought they would get an equivalent increase in their housekeeping money, but a third said they would not.

Older women generally seemed more confident about getting a fair share of their husband's pay rise than younger women.

Some 56 per cent. of women over 55 interviewed said they would get an equivalent increase in housekeeping, against only 45 per cent. in the 35-54 age group.

The only index to deteriorate this month was the Time to Buy Index which tends to fall when the Future Confidence figure is improving.

Low figure

Those in favour of buying consumer durables in October outweighed those who thought it a bad time to buy, by only 17 per cent. among all adults.

This is an historically low figure and compares with a positive balance of 38 per cent. at the beginning of the year. As a result, the six-month moving average index edged downwards to show a balance of 20 per cent. in favour of buying.

Professional men and women are still much more enthusiastic about the wisdom of spending money on major items for the house than manual workers.

Among ABC1 men, those in favour of buying outnumbered those against it by 44 per cent. in October, and the six-month moving average still shows a balance of 42 per cent.

Research was carried out for the Financial Times by the British Market Research Bureau between October 6 and 12. A total of 948 adults were interviewed.

Provos hit Irish EEC membership

By Our Own Correspondent

BELFAST, Oct. 23.

AN ATTACK on Ireland's membership of the EEC formed the bulk of the presidential address by Mr. Rory O'Bradaigh at the annual conference of Provisional Sinn Fein to-day.

The conference was being watched by observers for any signs of a weakening of the Provisionals' resolve to continue their campaign in Northern Ireland in the face of increasing security successes.

Some may take the concentration on "legitimate" political issues by Mr. O'Bradaigh as signs of such a weakening but he also warned that Sinn Fein was a revolutionary movement, committed to revolution across the board and from top to bottom.

He said Mr. Roy Mason, the Northern Ireland Secretary of State, was tightening the screws but that this would only strengthen the people's resolve.

His speech followed a predictably hard-line one from vice-chairman David O'Connell on Saturday night. Mr. O'Connell, who recently served time for membership of the IRA, said the active members of the movement would continue to fight.

Mr. O'Bradaigh, possibly with the planned direct elections to the European Parliament in mind, called for a massive campaign to get Ireland out of the EEC.

OVERSEAS MARKETS

EUROBONDS

BY MARY CAMPBELL

Recovery in dollar sector

FURTHER heavy activity in the U.S. dollar sector last week recouped a lot of the ground lost the previous week. ... most are still down on ... of two weeks ago. The recovery took place, however, in the context of a continuing ... of significant retail buyer interest. The main factor ... the upward movement in ... seems to have been short ... professionals.

... last week's ... a fall in Eurodollar interest rates. These ... about a quarter of a ... the week as a whole. ... sustaining factor was ... new issue an- ... for the second ... U.S. money supply figures ... Thursday night ... seem to have much im- ...

There was also evidence that the exchange rate situation might be stabilising.

Nonetheless, by Friday night, the market seemed to be feeling that the technical recovery had gone far enough — prices were easing again, particularly after New York's Citibank pushed its prime rate up from 7½ to 7¾ per cent.

Clearly, the recovery in prices has not restored confidence among dealers. If the previous fortnight's fall in prices had happened in the absence of much retail selling, last week's recovery seems to have involved even less retail buying.

With dealers still very nervous, therefore, no new straight dollar issues were scheduled over the week-end though there were suggestions that Deutsche Bank has a large U.S. dollar issue for a triple-A corporate borrower slated for announcement this morning.

The weakness of the straight dollar bonds has given the floating rate notes (FRNs) its first major test since they became a prominent sector of the market. As far as the primary market is concerned there is no question but that the behaviour of this sector has proved that it is possible to raise floating rate funds at a time when fixed interest rate money is not a viable option. Beogradska Banka's which was increased in size just at the moment when the straight market was at the bottom was no more a typical floating rate note than Panama's (also increased at almost the same time) was a typical straight issue. However Industrial Bank of Japan has successfully raised $50m., and Bank of Tokyo launched a $60m. FRN last Friday.

In the secondary market, while FRNs did not suffer nearly as much as the straight bonds, opinion among dealers seemed to be divided on whether they actually benefited from the sell-off in straights or whether they suffered by extension from the straight market. A development on which there was general agreement was that with interest rates apparently rising inexorably, the differentials in price between issues offering minimum rates of say 6 per cent and 7 per cent were disappearing.

The other main sector which might be expected to be benefiting from the weakness of the straight dollar market is D-mark bonds. Last week saw the clearest possible evidence of the importance which issue managers attribute to the currency factor in present conditions—the effective conversion of an issue from dollars to D-marks.

This was done in the case of Sandvik's convertible issue and is extremely unusual if not unique in the Eurobond market history. What happened was that Crédit Suisse White Weld, the lead manager, finding that the issue was not selling well on the terms originally scheduled, incorporated a D-mark option at the last minute, just as the issue was due to close, and extended the offering period.

Under the new arrangements, investors will have the option to choose whether to receive their interest and capital repayments (if any) in D-marks or in dollars. The conversion price will be fixed in dollar terms with a dollar/D-mark exchange rate being fixed at the start for the life of the issue.

The coupon on the issue was cut from the 7¼ per cent. originally indicated to 6¼ per cent. The only change in the management group, however, is that Commerzbank, which is often bracketed with its French partner bank, Crédit Lyonnais, in the advertisements for Eurobond issues, will be shown independently in this case.

As can be seen from the table, new issue activity has in general switched to the D-mark sector recently.

Two issues had their terms adjusted downwards last week—the coupon on Canon's convertible was cut from the indicated 5 per cent. to 4¾ per cent., while Australia's DM250m. 12 year offering, originally scheduled to be priced at a discount on a 6 per cent. coupon, was finally priced at 99½ on a 5¾ per cent. coupon.

On the other hand, despite the currency situation, the behaviour of the German bond markets in general, including the D-mark Eurobonds, does not indicate enormous demand from abroad. Secondary market quotations for D-mark Eurobonds if anything eased last week.

BONDTRADE INDEX AND YIELD

	October 21		October 14		1977 High	1977 Low
Medium term	101.57	7.78	101.39	7.76	103.09	101.36
Long term	94.25	8.12	94.61	8.16	96.86	94.57
Convertible	107.33	5.65	108.92	5.55	111.22	107.33

EUROBOND TURNOVER (Nominal value $m.)

	U.S. $ bonds Last week	U.S. $ bonds Previous week	Other bonds Last week	Other bonds Previous week
Cedel	515.2	575.4	173.8	139.2
Euroclear	1,702.0	1,226.1	193.8	193.3

CURRENT EUROBOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
††Industrial Bank of Japan Finance	50	1982	Bullet	6½‖	100	Morgan Stanley	6.61‖
††Banco Nacional de Obras	50	1982	Bullet	*	*	Merrill Lynch	*
‡††Finland	50	1992	10½	8¾	98.35	Smith Barney	9.16
‡††Oslo	50	1997	13	8¾	99	Kuhn Loeb	9.05
§Toshiba	50	1992	—	6¼	*	Smith Barney	*
†Bank of Tokyo	60	1984	Bullet	6½‖	100	CSWW, S. G. Warburg	6.61‖
U.S. DOLLARS/D-MARKS							
§Sandvik	$35	1987	—	6¼	*	Hambros, Sv. Handels., CSWW	*
D-MARKS							
‡Australia	250	1989	10	5¾	99½	Deutsche	5.84
‡§Canon	100	1985	—	4¾	100	Deutsche	4.75
Euratom	150	1987	Bullet	6	100	Dresdner	6.00
‡**Oest. Kontrollbank	50	1985	Bullet	6	100	Commerzbank	6.00
Comision Fed. de Elec.	100	1985	6½	7½	*	WestLB	*
Norpipe	150	1989	10	6¼	100	Deutsche	6.25
Norwegian Mort. Assoc.	50	1989	8½	6¼	*	WestLB	*
Hungarian Natl. Bank	100	1985	Bullet	6½	100	Dresdner	6.50
SWISS FRANCS							
Denmark	80	15	n.a.	4¾	100	Swiss Bank Corp.	4.75
Norges Kommunalbank	60	15	n.a.	*	*	Gutzwiller, Kurz, Bungener	*
YEN							
Spain	15bn.	1987	9	7	99½	Nomura	7.19
Mexico	20bn.	1987	9	7.1	99¾	Daiwa	7.25
BAHRAINI DINARS							
Pemex	15	1982/7	—	8½	*	BAII	*

* Not yet priced. ‡ Final terms. ** Placement. ¶ Purchase fund. † Floating rate note. ‖ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. Note: Yields are calculated on AIBD basis.

Cuajone gets loan of $53.4m.

LOAN agreements have been signed with a consortium of 28 banks led by Chase Manhattan and with the U.S. Export-Import Bank to provide a further $53.4m. for the Southern Peru Copper Corporation's Cuajone project, AP-DJ reports from New York.

In order to accommodate the new financing, all original long-term lenders who provided about $409m. of debt financing agreed to necessary amendments to existing loan agreements.

The availability of funds under the new agreements is subject to satisfaction of a number of conditions. The arrangements also provide that funds be made available for the purpose of paying all or a portion of the scheduled amortisation of existing Cuajone loans made by the institutions providing the new financing.

New borrowings are to be repaid in instalments by January, 1984. With this financing Southern will have completed the financing of the $725m. Cuajone project.

The Cuajone mine and its ancillary facilities commenced production last year and are now producing at a full capacity of 180,000 short tons of copper a year.

Indices

NEW YORK—DOW JONES

[illegible]

N Y S E ALL COMMON

Oct. 21	Oct. 20	Oct. 19	Oct. 18	1977 High	1977 Low
50.61	50.78	50.65	51.19	57.07 (4/1)	50.61 (21/10)

Rises and Falls — Oct. 21

Issues Traded—1,850 Up—575

Down—725 Same—482

New Highs—20 New Lows—100

MONTREAL

TORONTO

JOHANNESBURG

[illegible]

STANDARD AND POORS

[illegible]

OVERSEAS SHARE INFORMATION

NEW YORK

[illegible]

Investment premium based on $2.60 per £—32½% (33¼%).

CANADA

[illegible]

GERMANY

[illegible]

JOHANNESBURG

[illegible]

AUSTRALIA

[illegible]

PARIS

[illegible]

VIENNA

[illegible]

BRAZIL

[illegible]

OSLO

[illegible]

SPAIN

[illegible]

AMSTERDAM

[illegible]

TOKYO

[illegible]

Source Nikko Securities Tokyo

COPENHAGEN

[illegible]

SWITZERLAND

[illegible]

BRUSSELS/LUXEMBOURG

[illegible]

STOCKHOLM

[illegible]

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mgrs. Ltd. (a)(g)
72-80, Gatehouse Rd., Aylesbury. 0296 5941

Abbey Capital	33.9	36.1	+0.3	3.56
Abbey Income	39.9	42.9	+0.2	5.05
Abbey Inv. Tst. Fd.	33.8	36.0	...	3.93
Abbey Gen. Tst	48.1	51.2	+0.4	3.49

Allied Hambro Group♥ (a)(g)
Hambro Hse., Hutton, Brentwood, Essex. 01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	67.5	72.1	+0.6	5.04
Brit. Ind. Fund	66.8	71.9	+0.6	4.85
Grth. & Inc.	39.0	41.6	+0.5	4.59
Elect. & Ind. Dev.	33.3	35.5xd	+0.3	4.78
Allied Capital	72.9	77.9xd	+0.6	3.72
Hambro Fund	108.8	116.2	+1.2	0.67
Hambro Acc. Fd.	122.6	130.9xd	+1.2	3.81
Income Funds				
High Yield Fd.	65.7	70.2	+1.9	7.63
Equity Income	39.5	42.0	+0.4	5.71
High Income	62.4	66.6xd	+0.4	6.45
Hambro Inc. Fd.	56.6	60.4	+0.4	6.12
International Funds				
International	22.0	23.5	−0.1	2.44
Secs. of America	46.0	49.2	+0.4	3.06
Pacific Fund	32.4	34.6	−0.1	2.89
Specialist Funds				
Smaller Co.'n Fd.	32.2	34.4xd	+0.2	4.65
2nd Smlr. Co'n Fd.	38.8	41.4	+0.2	5.43
Recovery Sits.	85.3	91.1	+0.4	4.98
Met. Min. & C'dty.	39.4	42.1xd	−0.2	5.27
Overseas Earnings	56.3	60.1	+0.4	3.96
Exmpt. Smlr. Co's.	194.7	204.9xd	+1.1	3.61

Ansbacher Unit Mgmt. Co. Ltd.
1 Noble St., EC2V 7JA. 01-623 6376.

Inc. Monthly Fund	168.0	181.0	....	7.98

Arbuthnot Securities Ltd. (a)(c)
37, Queen St. London EC4R 1BY 01-236 5281

‡Arbthnt. Cmpnd.	33.2	35.6	+1.3	7.85
‡(Accum. Units)	46.5	50.2	+1.6	7.85
‡8½% Withdrawal	33.2	33.8	+1.2	7.85
Extra Income	114.6	123.9	+1.1	10.14
Arbuthnot Cmdty.	55.2	59.6		4.88
(Accum. Units)	76.1	82.1		4.88
10% W'drawals	50.8	54.8		4.88
Arbthnt. Fn. Prp.††	16.3	17.6xd		3.37
Arbuthnot Giants	42.3	45.6	+0.4	2.34
(Accum. Units)	48.3	52.1	+0.5	2.34
Growth Units	34.9	37.6	+0.4	2.34
(Accum. Units)	40.6	43.9	+0.5	2.34
Ionian Growth*	141.3	152.8		3.98
Jac. Sctr. Ldrs.††	26.4	28.5		4.06
*East & Intl. Acc.	19.7	21.3		1.95
*(6% Withdrawl)	16.1	17.4		1.95
Foreign***	69.3	75.3		2.25
‡N. American Int.	24.6	26.5		1.39

Deal. ‡Mon. *Tues. ††Wed. ‡Thurs. ‡‡Fri. Next dlg. ***Nov. 10. **Sept. 15 Daily

Archway Unit Tst. Mgs. Ltd.♥ (a)(c)
317, High Holborn, WC1V 7NL. 01-831 6233

Archway Fund	82.2	87.5		3.22

Prices at Oct. 19. Next sub. day Nov. 2

Barclays Unicorn Ltd. (a)(g)♥(c)
Unicorn Ho. 252 Romford Rd. E7. 01-534 5544

Unicorn America	29.3	31.5	−0.3	3.02
Do. Aust. Acc.	54.3	59.0	−0.1	2.45
Do. Aust. Inc.	43.4	47.2	−0.1	2.45
Do. Capital	67.0	72.0	+0.5	4.21
Do. Exempt Tst.	110.6	115.2	+1.1	5.36
Do. Extra Income	28.1	30.8xd	+0.1	7.62
Do. Financial	60.9	65.5	+0.2	4.70
*Do. 500	69.5	75.1	+0.5	3.52
Do. General	30.0	33.1xd	+0.2	5.76
Do. Growth Acc.	41.7	45.1	+0.3	3.79
Do. Income Tst.	84.0	90.3	+0.7	5.84
*Do. Prf. A'ns. Tst.	130.1	136.0		3.33

*Prices at Sept. 30. Next sub. day Oct. 31.

Do. Recovery	41.3	44.4	+0.4	4.96
Do. Trustee Fund	118.0	125.9	+1.3	4.58
Do. W'dwide Trust	47.1	50.6	−0.1	3.10
B'tst.In.Fd.Inc.	200.3	207.0	+2.0	4.21
Do. Accum.	221.4	228.9	+2.3	4.21

Baring Brothers & Co. Ltd.♥ (a)(x)
88, Leadenhall St., EC3 01-588 2830

Stratton Tst.	180.8	188.4		3.90
Do. Accum.	221.4	230.6		3.90

Next sub. day October 26.

Bishopsgate Progressive Mgmt. Co.♥
9, Bishopsgate, EC2. 01-588 6280

B'gatePr.** Oct. 11.	165.9	176.7	....	3.42
Acc. Uts.** Oct. 11.	193.1	205.7		3.41
B'gateInt. Oct. 18	155.7	167.5		3.66
Acm. Uts. Oct. 18	170.6	183.5		3.66

Next sub. day Nov. 1. **Oct. 25.

Bridge Fund Managers♥(a)(c)
King William St., EC4R 9AR 01-623 4951

Bridge Inc.	46.2	50.3xd		6.46
Bridge Cap. Inc.	35.7	38.0xd		3.01
Bridge Cap. Acc.	38.8	41.3		3.01
Bridge Exempt	135.0	144.0		5.57
Bridge Intl. Inc.	13.6	14.5xd		4.25
Bridge Intl. Acc.	14.7	15.7		4.25

Prices Oct. 19. Next sub. day Oct. 26.

Britannia Trust Management (a)(g)
3 London Wall Buildings, London Wall, London EC2M 5QL. 01-638 0478/0479

Assets	71.0	76.3	+0.7	4.74
Capital Acc.	52.9	56.9	+0.5	3.51
Comm & Ind	59.3	63.7	+0.6	3.82
Commodity	73.5	79.0	+0.3	5.13
Domestic	41.8	44.9	+0.6	3.50
Exempt	101.5	106.8	+0.4	7.96
Extra Income	38.0	40.9	+0.3	0.89
Property Shares	13.3	14.3	+0.1	2.13
Shield	49.2	52.9	+0.7	3.70
Status Change	27.2	29.2	+0.2	4.92
Univ Energy	33.0	35.5	+0.2	3.10

The British Life Office Ltd.♥ (a)
Reliance Hse., Tunbridge Wells, Kt. 0892 22271

BL British Life	51.7	54.7xd	+0.5	5.11
BL Balanced*	47.1	50.4xd	...	4.92
BL Dividend*	43.1	46.1xd		8.17

*Prices Oct. 19. Next dealing day Oct. 26.

Brown Shipley & Co. Ltd.♥
Mngrs. Founders Ct., EC2 01-600 8520

BS Units Oct. 19	220.1	231.7		4.40
Do. (Acc.) Oct. 19	270.3	284.6		4.40
BS Exempt. Sept. 1	116.0	122.1		5.20
Oceanic Trusts (a) (g)				
Financial	34.9	36.5	+0.3	4.30
General	18.1	19.2xd	−0.1	4.28
Growth Accum.	45.3	48.0	+0.3	5.00
Growth Income	34.6	36.8xd	+0.3	5.00
High Income	29.0	31.4xd	+0.1	9.18
I.T.U.	20.1	21.3xd	+0.1	5.44
Index	26.4	28.6	+0.4	4.24
Overseas	16.2	17.2	−0.1	3.61
Performance	55.3	58.6xd	+0.6	4.98
Recovery	21.4	22.7	+0.2	5.72
Exmpt. Oct. 10	56.6	58.9	...	5.75

Canada Life Unit Tst. Mngrs. Ltd.♥
2-6 High St., Potters Bar, Herts. P. Bar 51122

Can. Gen. Dist.	39.5	41.6	+0.3	3.81
Do. Gen. Accum.	47.4	49.9	+0.5	3.81
Do. Inc. Dist.	35.1	37.0xd	+0.2	7.20
Do. Inc. Accum.	44.7	47.1	+0.3	7.20

Capel (James) Mngt. Ltd.♥
100 Old Broad St., EC2N 1BQ 01-588 6010

Capital	83.8	89.2	....	3.68
Income	75.2	80.0		6.88

Prices on Oct. 19. Next dealing Nov. 2.

Carliol Unit Fd. Mgrs. Ltd.♥ (a)(c)
Milburn House, Newcastle-upon-Tyne 21165

Carliol	63.7	66.2xd	....	4.37
Do. Accum. Units	75.7	78.2	....	4.37
Do. High Yield	40.7	43.2xd	....	8.03
Do. Accum. Units	49.4	51.9		8.03

Next dealing date Nov. 2.

Charterhouse Japhet♥
1, Paternoster Row, EC4. 01-248 3999

C.J. Internat'l.	20.2	21.6xd		4.66
Accum. Units	23.4	25.0xd	....	4.66
C.J. Income	36.8	39.2xd	....	7.61
C.J. Euro. Fin.	23.6	25.2xd	....	4.21
Accum. Units	27.2	29.0xd	....	4.21
C.J. Fd. Inv. Tst.	26.0	27.8xd		3.33
Accum. Units	29.2	31.2xd		3.33

Prices Oct. 10. Next dealing Oct. 26

Confederation Funds Mgt. Ltd.♥ (a)
50 Chancery Lane, WC2A 1HE 01-242 0282

Growth Fund	39.7	41.7	....	4.38

Cosmopolitan Fund Managers.
Copthall Ave., London EC2R 7JX 628 9222

Cosmopoln. Gth. Fd.	17.1	18.5	−0.2	4.62

Crescent Unit Tst. Mgrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3. 031-226 4931

Crescent Growth	28.9	31.0	+0.2	3.08
Cres. Internat'l	47.2	50.6	+0.2	2.47
Cres. High. Dist.	44.7	47.9	+0.1	6.70
Cres. Reserves	41.8	44.8	+0.3	3.13

Discretionary Unit Fund Managers
22, Blomfield St., EC2M 7AL. 01-638 4485

Disc. Income	151.1	161.2	...	5.08

E. F. Winchester Fund Mngt. Ltd.
Old Jewry, EC2 01-606 2167

Great Winchester	18.3	19.9	...	7.65
Gt. Winch'er O'seas	18.3	19.9	....	5.49

Emson & Dudley Tst. Mngmnt. Ltd.
20, Arlington St., S.W.1. 01-499 7551

Emson Dudley Tst.	73.0	77.7	.....	5.10

Equitas Secs. Ltd.♥(a)(g)
41 Bishopsgate, EC2 01-588 2851

Progressive	67.4	71.1	+0.3	4.23

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	67.5	72.0	+0.5	3.82

Framlington Unit Mgt. Ltd. (a)
5-7, Ireland Yard, EC4B 5DH. 01-248 6971

Capital Tst.	105.4	112.0xd	...	3.97
Income Tst.	99.6	104.8	....	5.39
Int. Growth Fd.	95.6	101.6xd	...	2.70
Do. Accum.	97.6	103.8xd	.....	2.70

Friend's Provdt. Unit Tr. Mgrs.♥
Pixham End, Dorking. 0306 5055

Friends Prov. Uts.	45.4	48.5	−0.3	3.81
Do. Accum.	56.0	60.7	+0.4	3.81

G.T. Unit Managers Ltd.♥
16, Finsbury Circus EC2M 7DQ 01-628 8131

G.T. Cap. Inc.	82.1	87.3	−1.9	3.00
Do. Acc.	97.2	103.4	−2.2	3.00
G.T. Inc. Fd. Un.	163.2	173.6	+3.0	7.00
G.T. U.S. & Gen.	125.9	133.9	+0.8	2.70
G.T. Japan & Gen.	219.9	233.9	−1.5	1.20
♦Gt. Pens. Ex. Fd.	139.6	146.5		2.90
G.T. Int'l. Fund	110.0	117.0	+1.5	3.30
G.T. Four Yds. Fd.	57.4	61.0	.....	6.60

♥G. & A. Trust (a) (g)
5, Rayleigh Rd., Brentwood (0277) 227300

G. & A.	33.3	35.5	+0.3	4.36

Gartmore Fund Managers ♥ (a)(g)
2, St. Mary Axe, EC3A 8BP. 01-283 3531

(z)American Tst.	22.7	24.5	−0.1	1.73
British Tst. (Acc.)	51.7	35.6	+0.6	3.28
Commodity Share	145.3	156.2	−0.1	3.43
(z)Far East Trust	25.9	27.9xd	+0.2	1.57
High Income Tst.	56.4	60.7	+0.3	8.16
Income Fund	68.4	73.6	+0.3	6.17
Ins. Agencies	13.40	14.46	+0.05	3.79
Intl. Exempt Fd.	85.5	93.2xd		5.22
(z)Intl. Tst. (Acc.)	27.1	29.1	+0.1	1.61

Gibbs (Antony) Unit Tst. Mgs. Ltd.
23, Blomfield St., EC2M 7NL. 01-588 4111

Grieveson Management Co. Ltd.
59 Gresham St., EC2P 2DS. 01-606 4433

Bar'gton Oct. 19	217.0	227.3	..	3.69
(Accum. Units)	231.4	242.4	....	3.69
B'gtn. HY Oct. 20	172.9	181.1	....	6.94
(Accum. Units)	194.1	203.3	....	6.94
Endeavour Oct. 18	152.5	159.7	..	2.35
(Accum. Units)	157.3	165.0	....	2.35
Grncheste. Oct. 21	80.0	84.1	−1.0	4.18
(Accum. Units)	81.5	85.6	−1.0	4.18
Ln. & Brsls. Oct. 19	67.9	71.2	..	1.57
(Accum. Units)	70.0	73.4	....	1.57

I. G. Index Limited 01-351 3466. Three months Tin 6755-6835

FINANCIAL TIMES STOCK INDICES

	Oct. 21	Oct. 20	Oct. 19	Oct. 18	Oct. 17	Oct. 14	A year ago
Government Secs.	76.01	77.48	77.48	77.11	76.63	76.75	57.09
Fixed Interest	79.17	79.25	79.08	78.69	78.49	78.62	56.54
Industrial Ordinary	524.8	516.0	518.6	515.1	498.1	500.0	289.7
Gold Mines	151.3	159.5	171.2	174.5	174.0	161.4	105.7
Ord. Div. Yield	5.15	5.25	5.22	5.27	5.40	5.39	7.09
Earnings Y'ld % (full)*	15.27	15.51	15.48	15.61	16.00	15.07	25.77
P/E Ratio (net) (*)	0.31	0.17	0.19	9.11	8.89	8.01	6.18
Dealings marked	5,117	6,505	7,205	5,280	5,657	5,256	5,695
Equity turnover £m	-	89.58	90.48	80.76	84.95	90.50	40.20
Equity bargains total	-	16,643	16,595	15,976	15,919	16,142	8,180

Latest Index 01-246 8026.

HIGHS AND LOWS

S.E. ACTIVITY

FINANCIAL TIMES STOCK INDICES

HONG KONG

SINGAPORE

OFFSHORE AND OVERSEAS FUNDS

INSURANCE, PROPERTY, BONDS

Scottish Widows' Group
PO Box 902, Edinburgh, EH16 5BU. 031-655 6000

Inv. Ply. Series 1	114.8	104.8	+2.5	—
Inv. Ply. Series 2	99.2	104.5	+2.6	—
Inv. Cash F. Oct. 21	95.4	100.5	....	—
Ex. Ut. Tr. Oct. 19	140.8	142.3	+1.8	—
Mgd. Pen. Oct. 20	255.1	261.7	+4.3	—

CLIVE INVESTMENTS LIMITED
1 Royal Exchange Ave., London EC3V 3LU. Tel. 01-283 11
Index Guide as at 11th October, 1977 (Base 100 at 14.1.

Clive Fixed Interest Capital	132.71
Clive Fixed Interest Income	124.90

CORAL INDEX: Close 523-528

INSURANCE BASE RATES

† Property Growth	7 %
Cannon Assurance	3½%

† Address shown under Insurance and Property Bond Table

FINANCIAL TIMES SURVEY
Monday October 24 1977

The Printing Industry

The technological revolution in the printing industry is only just getting under way. For all sectors, not least newspapers, it is posing a variety of fundamental questions about manning, investment and choice of systems.

Groundswell of change

By Rex Winsbury

meet its daily deadlines—and, it must be said, because of the wealth of the large American newspaper publishing groups that have acted as technological pacesetters for the rest of the world.

The basic factors making up the technological revolution are therefore common to all sectors of the printing industry. But for all the publicity value of the newspaper industry, and the undoubted weight of its investment in new technologies, it must be remembered that the impact and importance of the various factors differ considerably from one sector of the industry to another.

The rest of the printing industry in terms of sales is far larger than the newspaper sector. Last year in the U.K. newspaper and periodical printing had sales of just under £1½m., while the rest of the industry (packaging, boxes and cartons, stationery, general printing, etc.) totalled not far short of £3m.

Emphasis

Put simply, colour is at the heart of the general printing industry. What speed is to newspapers, colour is to most of the rest of the printing industry. "Quality" means basically quality of colour, and this accounts for the emphasis in general printing on technical developments in the processing and printing of colour, and for the substantially different types of web offset presses to be found in general printing compared to newspaper publishing. Thus, although the spread of web offset presses is a theme common to newpapers and to general printing, the detailed application is markedly different.

On the other hand, text handling and phototypesetting equipment *is roughly standard* across the entire industry, much to the regret of many general printers, who feel that their special needs have not yet been fully taken account of by the suppliers of such equipment.

Industrial structure also has a strong bearing on the pace of technological development and on the ability to track and quantify its progress. The newspaper industry is characterised by large publishing groups spanning either large geographical areas, or a large range of newspaper publishing (national, local, weekly, etc.) or both. Where this generalisation is somewhat less true, notably in the U.S., there are active trade associations, and the result is much the same—rapid permeation of new ideas, a relatively clear bird's-eye view of the state of the art, often but not always backed by precise statistics (how many U.S. newspapers are web offset, have computerised text handling, etc.) and above all a clearly discernible technological policy, cautious or aggressive, laid down from a comparatively few corporate headquarters.

But general printing is still highly fragmented, despite the presence of some large companies. In the U.K., industry statistics show that 55 per cent. of establishments employ under 25 people, and about 85 per cent. employ under 100. Patterns of technology, particularly of technological change, are therefore harder to establish—quite apart from the obvious difference in the needs of, say, a specialist book printer compared to a packaging and mail order catalogue house.

But it must not be assumed that the bigger the establishment, the more technologically progressive it is. If anything the opposite is true. In U.S. newspapers, for example, it was the medium-sized companies which made the running in the early 1970s, with the smaller following on rapidly; last of all came the big metropolitan papers in New York, Washington and Chicago. In British newspapers, it has been certain medium-sized provincial groups (for example, Portsmouth and Sunderland Newspapers, East Midland Allied Press, Wolverhampton Express and Star) which have led the field, with Fleet Street still trying to free itself from the bog of suspicion—suspicion between rival newspaper managements, and between managements and unions.

Similarly, in the general printing industry it is often the small printer who has set up shop on a green field site that has been able to exploit the best in new technology. One of the most attractive features of the printing industry, historically and sociologically, has been the ability of trained men—craftsmen, small entrepreneurs, call them what you will—to set up on their own, to serve local and/or specialist markets.

Moreover, new technology, which in newspapers has if anything strengthened the trend towards concentration (as in so many other industries) has in the rest of printing encouraged the entry of new small firms. For example, specialist typesetting concerns are far from being a new phenomenon in the industry. But the advent of cheap photocomposing systems, needing little labour, has been a great stimulus to this type of enterprise, and the bigger groups in the industry have been noticing the impact.

The problem of the bigger or older companies is partly the scale of their investment in existing technology, but more so *the difficulty* of arriving at a common view with the unions as to the right pace and right conditions for technological change. The new technologies, particularly those that are computer-related (as most of them are, in one form or another) do, *if applied in a full* blooded manner, make obsolete much of the traditional craft of the industry and reduce the number of jobs provided by a given output of work. The fact that they demand new skills, and could expand the total volume of work, as happened at the end of the last century, is small comfort to some.

This must rank as the toughest challenge to face any group of unions since the war, and it is hardly surprising (though hardly pleasing to employers) that the unions have been at times difficult, at times constructive, but above all cautious. While labour relations in the printing industry as a whole must not be judged by or confused with the situation in Fleet Street, nevertheless the fundamental problem—how to cope with the social consequences of technological change while at the same time progressing sufficiently rapidly technologically to stay in business vis-a-vis the competition—remains true throughout the British printing and publishing industry. Although as a problem it has been there for some years, it is really no nearer to solution.

Yet at the same time the technology is still moving ahead, with the aim of consolidating and simplifying operations into single—or single sets of—black *boxes. The manpower* consequence grows more acute as time passes.

In newspapers, the piece of the technological jigsaw everyone *is waiting* for, the one on which large sums are being spent, is electronic make-up of the complete page. In general printing the equivalent is the colour scanner, by which colour photographs or other art work can be electronically made-up into, for example, magazine cover pages. In both cases it is a question of digitising the information (text information, colour information), calling it *up on some sort of screen,* using screen controls like a cursor and co-ordinators to change the images around, and then printing out the final result on film.

Both types of equipment cannot be far away now in terms of commercial reality. Both will have great impact in their respective spheres of printing, *both on operations and on employment.* Both will add impetus to the other great change-in-the-offing, that are making a printing plate direct from the digitised page rather *than going through the stage of* making a film.

History

The whole history of printing and publishing is the history of interplay between advances in printing technology and changes in the market demand for, or in the receptivity to, printed *matter. The challenge of* the new technologies is therefore to spot and exploit their market potential, but this time with an eye not so much on rival printers, as on rival electronic publishing media that do not use paper at all, and may erode *not so much the habit of reading,* as the habit of reading paper. The "printer" or "publisher" of the year 2000 may be a vastly different animal from to-day's.

هكذا من الأصل

Photocomposition fram
the future

THE SETTING of type is by definition at the very heart of the printing industry, and it has been revolutionised twice before—by Gutenberg, at the end of the 15th century, with the invention of moveable type, and by Ottmar Mergenthaler, at the end of the 19th century, with the invention of a machine to replace hand assembly of type. Now the third revolution is under way, the replacement of the type-casting machine by photographic methods of setting type, allied with a computer to formulate the text and drive the phototypesetter.

Phototypesetting methods have been known for many decades, but only since 1950 has this method begun to make inroads, and principally since the middle 1960s, due in large part to its compatibility with offset printing, also spreading fast at the same period. To-day, the industry presents a patchy appearance—a mixture of the old and the new, an industry very definitely in transition. It must be said that there are printers who are sceptical about the real cost-effectiveness of phototypesetting, compared with traditional methods, but even these sceptics admit the force of "keeping up with the Joneses," which seems likely to complete the switch to photocomposition for the majority of the industry over the next, say, seven years.

Apart from the impetus from the newspaper industry, the most notable features of contemporary developments in phototypesetting are the broadening of the cost and capacity range of such equipment, and the ever closer integration of phototypesetting with the so-called "front end" systems which generate the text to be set. It is in the "front end" that many of the really exciting developments are taking place: yet paradoxically in these developments may be found the seeds of the eventual disappearance of typesetting as a separate section of the printing cycle.

At one end of the cost and capacity range we now have monster machines that produce a full-width newspaper page, so-called 100 pica machines, at a top rate of 3,000 lines per minute. One may instance the Linotron 606 machines now running in at the Daily Mirror plant in London and already in use in certain places in the U.S., or their American equivalents like the Harris 7600, or the Autologic APS 5. Such equipment is likely to cost over £100,000 a time, and to churn through text at a rate that must surely represent the ultimate in speeds of setting that anyone can usefully contemplate. In physical bulk, such machines are impressive without being overwhelming: the 606 stands nearly 6 feet off the ground, and is nearly 7 feet long, weighing nearly 1,700 lbs.

Development

At the other end of the scale there is the development of the small, virtually desk-top typesetter. One may instance the Compugraphic 4600 which measures a mere 24 inches wide and 14 inches high, and the cost of a small setter could be under £15,000. In short, phototypesetting machines are now straddling the market in response the highly variegated requirements of potential users.

It is arguable that the influence of newspaper requirements still means that many systems are inferior from a general printing point of view. Certainly, the biggest interest from general printing lies in the continued development of small to medium sized page composition systems, perhaps with no more than a 45 pica capacity, but very definitely with direct entry of text from the keyboard. Direct entry seems to be claiming an ever larger part of the market.

Photosetting is particularly suited to book work, but is making clear inroads elsewhere, as in magazines and mail order work. Even the sceptics realise that photosetting gives the ability to adjust face sizes more easily, and to store and recall text more or less at will. But this really is the rub of the matter—it is no longer the ability to photoset type that is important, so much as the system of which this is part (perhaps one should say, the end result).

For it is at the "front end" that major advances are being made, in particular with the switch, only now in its beginnings in the U.K. general printing industry, from pure keyboard entry towards use of the Video Display Terminal as the "operator interface" with the typesetting system. Admittedly, the distinction between a keyboard with some sort of visual marching display of the last words and characters keyed in, and the fully interactive VDU, is increasingly becoming a fine and indeed arbitrary one.

But the glossy ads for typesetting systems almost invariably centre round the use of a VDU these days, to take advantage of the full capacity of a computer typesetting system. The VDU is a device for simple entry of text; for proofing and correcting the text so entered, whether it be keyboarding errors or authors' corrections; for entering and verifying typographical commands; and for storage and recall of text (perhaps via a tape or floppy disc) for later updating. This can cut out a great deal of proofing on paper, reduce error rates and costs, and avoid the necessity of totally re-keyboarding repeat orders.

In the newspaper industry, particularly in the U.S., the VDU has been extended backwards along the chain of creation to the original authors, that is, to the journalists, giving them direct access to the functions of the computer via complex VDUs with, at times, 130 or more keys on the keyboard and 25 or so lines of text on the screen at any one time. Pure composing room activities can use VDUs of this complexity, as witnessed by the U.S. integrated systems that are used with only slight modifications in both newspaper, magazine and general printing work. But the composing room VDU is often a less complex animal, with far less editing facility than is needed by at least some original authors of text.

However, this development does emphasise the secondary place that phototypesetting is now taking within the overall text creation process. To have the right typesetter is still important: but it is what the system does that really counts, in terms of cost saving on the total operation.

The development of smaller, cheaper photosetting units is both a promise and a threat to the printer, especially the smaller company. On the one hand, it gives him advanced technology at a price he can afford: but on the other hand it means that large clients may well decide to do some or all of their own "in house" printing.

Of course, any large organisation tends to have some printing capacity within its walls, if only a Xerox machine or a duplicator of some sort. But the fact is that the distinction between a small phototypesetting unit, and a so-called "word processing unit" is now non-existent. The word processing unit began life as a replacement for the traditional typing pool, especially where either standard letters or bulky reports and documents featured in the work load. But such units are made up of VDUs for the typists (for example operators) to use, text storage and correction and a device to print out the result: *and this is also a description of a printer's photosetting system.* Not surprisingly, some industry pundits have forecast a drastic cut in work being contracted out to professional printers, as larger clients take on more and more of their own work.

Significantly, Pira, the industry research association, is now mounting a study on exactly this problem, which is intended to look at word processing as a replacement for short-run printing, in particular linked to high-speed duplicating:

Pressing for changes in technology

THE SUBSTANTIAL economies which computer typesetting has made possible may have diverted general attention from the improving technology at the next stage of the printing process, in the press room.

This may partly be because the spectacularly large presses to be found in Fleet Street have not only remained essentially unchanged, but are likely to do so for some time to come.

The very large capital investment locked up in Fleet Street presses and the very low returns on capital are two reasons why a change from the old letterpress techniques is unlikely.

Letterpress will survive among the large circulation newspapers for the foreseeable future because the stereo plate cast in lead is intrinsically cheap and is easily made from the page impressions produced through the traditional hot metal typesetting process.

In the provinces, however, the outlook is different. Many newspapers have changed over from letterpress to the more modern web offset presses and the new evening papers started in the late 1960s by Thomson's all had web offset presses. The changeover has come to a virtual standstill in the last two years because the economic climate and the squeeze on profits have made proprietors unwilling to commit the very large investments involved in buying a new press.

However, there seems little doubt that the conversion to web offset will continue when the economy improves. The main reason is that web offset machines use the thin lithographic plate which can be etched or made by a laser machine from a paste-up of the final page. These paste-ups are the natural product of computer typesetting systems which set type on to photographic paper rather than into metal. The strips of paper carrying photocomposed type are pasted on to a blank sheet together with the headlines to form a prototype of the final page.

In the web offset process the image is transferred from the page plate on to an intermediate rubber cylinder which then passes the ink to the paper.

On letterpress, the cylindrical stereo plates cast in metal are first inked and then make a direct impression on to the paper. It is basically a simpler process which does not require as close tolerances as web offset. Furthermore, web offset requires fine adjustment of the ink and water mixture to produce a good image.

Because of this, offset presses have in the past run slower than letterpress and have been subject to larger waste at the beginning of the run when the ink settings were being adjusted. Recent developments, however, have speeded up offset presses to a capacity of about 70,000 impressions an hour which is as good as can be achieved by most letterpress.

In addition, computer control of the inking like the Rockwell press control system (PCS) has enabled the presses to produce saleable copies almost immediately after the start-up. Rockwell claims waste has now been cut down to about 2 per cent. compared with about 12 per cent. a few years ago.

The computer-controlled inking works by scanning the negative image of the page. From this scan, the computer is able to work out the exact setting of all the ink screws needed to give the desired blackness. The computer also controls the sequence of operations needed to achieve the right mixture of ink and water as the press builds up to maximum speed.

In the smaller web offset presses the capital cost of a fully automatic system may not be *justified.* In *these cases* various degrees of remote control and automation are offered.

On the smaller sheet fed presses the screws can be remotely controlled while on the Harris Telecolor system, for example, a television screen is used to monitor the settings of the ink ducts.

These remote or semi-automatic control systems are particularly important for colour printing where accurate control over the density of the inking is essential. In one system the colour is continuously monitored by sensors on the top and bottom sides of the web.

Sensors move from side to side as the Press is running. They measure the thickness of the ink and show the printer what is happening to the job by continuous monitoring on a television screen.

Electronics is also helping to improve productivity and quality in colour printing by controlling the register or exact positioning of the paper to ensure that the successive primary colours are printed on top of each other.

These changes among smaller presses coincide with a gradual

CONTINUED ON NEXT PAGE

The installation of web offset was a logical expansion of its large sheet fed offset work for Chromoworks Ltd., Nottingham, four years ago, and the company is shortly expecting delivery of a second web offset press. Pictured here is the ATP Titan four-unit heatset press which, with its versatile folding and sheeting equipment, is used for high quality colour work.

Teletext presents the alternative view

IMPRESSIONISTIC judg- o::is. that few printers yet 'd the development of next as anything other than peripheral to their concerns. ext is the generic term systems of transmitting text er (or tabular matter, or a ire of the two) direct to home or office on a TV en, and it refers these days ree separate systems—the s Ceefax, ITV's Oracle, and Post Office's Viewdata.

ch a view may be right, it may be wrong. Elec- cs and the computer are ting and will affect the rnal operations of a print- concern, in text handling, ur work, plate making, rol of presses, page mbly, storage, and affect externally by changing calculations made by clients at what to print in-house what to contract out. But the development of Teletext to influence the demand printed matter, then that it would be of concern to nting companies. It is notable that a number of organisations olly or partially in the pub- ing business are already ing part in the trials of the wdata system, and it is by it route that printers may l the impact.

Ceefax and Oracle are "own label" systems of the two broadcasting authorities, that is, no other organisations can at present participate, and these systems look like being used mainly to supplement existing broadcasting, with news headlines, weather, recipes, sports results etc. But there is no reason why in due course the entire programme schedules of the TV networks, not to mention the radio networks, should not be on these systems. One may wonder what effect this would have on demand for the specialist radio/TV guides, which form such a large print run at the moment.

But it is with Viewdata that most of the intriguing questions arise. It works by linking the domestic telephone to the domestic TV set (or you can have a special receiver), thus enabling the user to dial in to one or more Post Office computers on which will in future be stored a huge volume of material of different types, far exceeding the Ceefax/Oracle capacity, and with a degree of "interactivity" that is, choice by the user about what he wants to see in what order. The user may also be able to put his own material on to Viewdata.

The critical point is that all the information going on to Viewdata comes from outside "information providers," who can be almost anyone who will pay the rental charge on the computer space. Newspaper and news agency companies are heavily involved, sensing the potential competition of Viewdata in, for example, the field of classified advertising or in the provision of financial data.

But of relevance to the general printer is the interest in Viewdata of many publishers of annuals, directories, encyclopedias, guides, and any other sort of publication which is a listing of some sort that has to be updated and reissued from time to time. The charm of Viewdata is that this updating can be done instantly and continually, instead of lagging perhaps a year behind the events with the issue of new editions or supplements.

Not surprisingly, educational authorities and the Open University are also interested in Viewdata as a medium for educational material. So is the world of retailing, where Viewdata could be used for anything from local supermarket promotional information ("10p off Brand X" etc.) to shopping by computer, using such things as Access and Barclaycard to order goods via Viewdata. Airline tickets are another obvious candidate for Viewdata sale. Mail order might be another area of impact, and all of these have implications for the use of printed materials.

Maintenance

So does the interest shown in putting service manuals for maintenance engineers onto Viewdata, plus perhaps call diaries for the same people when it comes to consumer durable repairs. DIY manuals are another variant, and so are careers manuals.

In broader terms, Viewdata opens up at least the possibility of what is known as "electronic mail" displacing, wholly or partially, the traditional letter and envelope. When written messages can be sent via telephone to the Post Office computer, stored, and accessed by the person at the other end at his convenience, the impact on postal services could be profound, especially in the light of deteriorating postal services here and in the U.S. This development depends on a proper alpha-numeric keyboard being attached to the Viewdata terminal, but once that is done, anything from inter-office memos to "get well" messages to Aunty Mabel seem a natural use of the system (one supposes that telegrams, except for overseas, will be finished off by such a development).

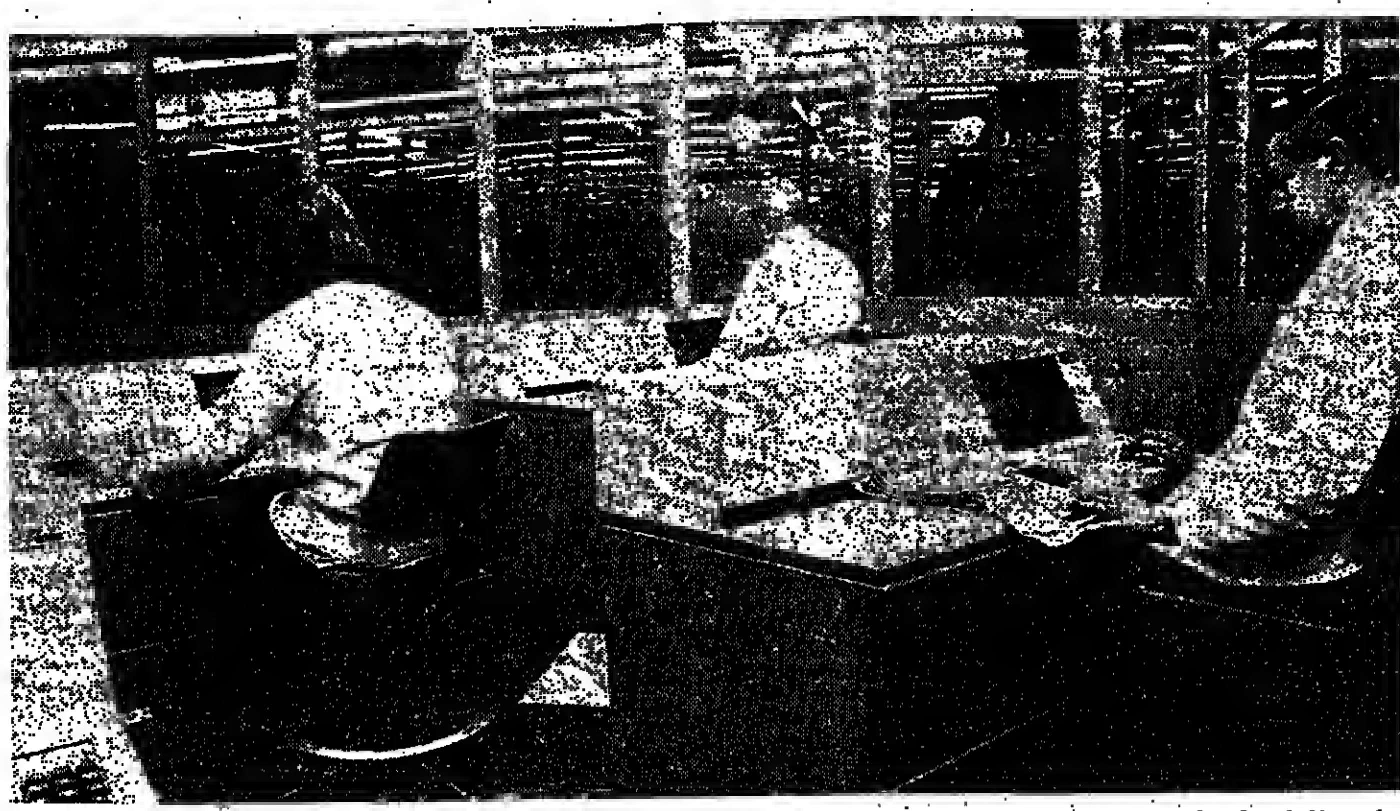
Outside the Teletext area, developments in computerised data base usage mean that any bibliographic services and technical indices are now computer-stored, along with abstracts of the articles. The distinction between a librarian and a computer scientist seems to have all but disappeared, and one must wonder quite what the library of the future will look like.

It is fair to say that Viewdata, like Teletext generally, is in its early days. The public market trial of Viewdata begins next year. Sceptics say that it will gain only modest acceptance, partly because people will not want to run up large phone bills (which is in the end what the Post Office wants them to do); partly because the operating software is still rather primitive; and partly because cheaper and cheaper mini and micro computers may possibly outdate the technical structure of the system by locating computer power at the level of the individual rather than the organisation.

On the other hand, many people rate the introduction of Teletext services as an advance of equal importance to the original invention of printing. The question is whether it will complement or compete with traditional printed matter. Post Office spokesmen take the view that it is complementary, since information can be presented in new ways, perhaps more expensive than printed matter, but with the compensating advantage that the user pays only for the item that he specifically wants.

But just as TV was "complementary" to print, yet affected print by syphoning off advertising revenues from publications and revolutionising public taste for colour, so it is hardly conceivable that Telextext will not in due course alter, for better or worse, patterns of consumption of printed matter. An industry still as deeply imbued with its history as printing, where methods of work can in essence date back centuries, can well afford to look ahead a decade or two, and speculate.

R.W.



This Linotron system of computer typesetting doubled the typesetting capacity and increased the flexibility of Purnell and Sons Ltd., Paulton. The system is used for magazines, books, encyclopaedias and jobbing work and has almost completely replaced the company's hot metal typesetting equipment.

Change CONTINUED FROM PREVIOUS PAGE

move to replace the larger sheet fed offset presses with rotary web offset of the higher quality type. Although sales of machinery have been very depressed recently, there have been signs that the printing business is picking up, so that with increased turnover, further capital expenditure seems likely.

Among smaller newspaper printers there has been great interest in the two possibilities of a transitional state from letterpress to web offset. One intermediate system enables lithographic plates to be used on letterpress machines. This is called di-litho. It involves a conversion kit costing around £100,000 for a typical provincial newspaper. It consists of dampeners to introduce and control water in the unit (98.5 per cent. water is supplied to the ink train); copper plating to prevent corrosion from the water on the ink drums, new blankets and packings, aluminium saddles to take the thinner plates and new electrical and water supplies.

Conversion

The basic problem with di-litho is that it is converting presses designed for an intrinsically cruder process to one which needs finer adjustment. Some presses have given trouble because they are not capable of delicate enough adjustments. However, considerable success is claimed in some installations. The first to be installed in the U.K. was at the Cambridge Evening News which started printing earlier this year. The East Anglian Daily Times, Ipswich, and Sefton Newspapers, Southport, are also converting to the system.

The alternative way of matching modern photo composition to older letterpress machines is to use photopolymer plates. These are plastic plates similar to the lead stereo plates but they can be produced from the photographic image.

One of the basic considerations which governs any change-over is the cost of plates. This will vary according to circumstances. A stereo plate can be between 2½p to 15p for a mass circulation daily paper, whereas an offset plate costs about 60p. A polymer plate can cost £3 if the material is not reusable or about £1.10 in a more expensive process where the material can be used again.

An estimation of the importance of plate costs can be made from the fact that the Financial Times, with a comparatively small print run, requires about 250 plates during an average night's production. The mass circulation papers need very many more.

One of the most intriguing possibilities in platemaking is the use of the laser beam to etch plates. The present system uses a small computer to scan the paste-up. From the information received, the computer controls the laser to cut the plate directly without the need for traditional etching.

This process reduces the time needed for the production of plates, a limitation of web offset presses for many years.

The next step, however, will be to do away with the paste-up of the final page altogether. Rockwell is working on a system which will allow full page make-up on a television screen to be plugged straight into the laser plate-making machine. The computer will then use the electronic image from the screen to guide the laser.

When this system comes on the market, in the 1980s, it will theoretically be possible to produce a plate entirely automatically from the direct input of journalists into the computer.

Max Wilkinson

Increasing availability of colour processes

IF THE old cry of "penny plain, tuppence coloured" is still remembered, it is a reminder that colour in print has long been considered as worth twice as much as black and white. Whether printers have ever got much of the 100 per cent. levy for colour is doubtful, but to-day, in many large categories of print, the glamour of colour is no longer a luxury, but a necessity, and the printing industry has been equipped to meet the demand. The situation would be comfortable for printers were other factors not present which make colour printing more arduous and risky for those who do it than, perhaps, it need be.

The rapid rise of offset lithography to become the dominant commercial printing process certainly hastened, and cheapened for the buyer, the availability of colour. Being basically a photo-mechanical printing process, offset lithography has challenged and, in many print categories, defeated the older processes, such as letterpress and gravure, particularly for long-run colour work such as mail order catalogues and magazines. The impetus of the market has encouraged inkmakers, papermakers and equipment manufacturers to improve the offset litho process to a point where it can now offer both the quality and the variety which the market calls for.

What has upset this equable state for litho printers is that, in addition to the considerable investment in presses, a commensurately large amount of money has had to be spent on the advanced pre-press and finishing equipment without which the full advantages of offset litho cannot be realised. An obvious example is typesetting, and high-speed phototypesetting has come of age primarily due to offset lithography's ability to use film and paper origination in place of those "26 soldiers of lead" which have done such stalwart service for nearly 500 years.

Precise

In addition, more precise, measurable and productive equipment has had to be developed to convert colour originals into colour reproductions, and electronic scanning for the making of colour separations, on-press controls for the maintenance of colour consistency over the run and more elaborate proofing systems have all placed heavy investment burdens on printers wishing to remain competitive in a situation where buyers want all the advantages of colour printing, but frequently fail to calculate the cost elements which arise before or beyond the press which makes the impression.

Such technical changes might have been less painful had they not coincided with a steep rise in labour and materials costs, in particular paper prices. Paper has always been a large part of the total cost of printing, and the efforts of print buyers to control prices by specifying ever lighter weights and lower grades of paper has done little to make the printer's job easier. He has, for example, to sacrifice the higher speeds of which his presses are capable, and to take more risks with quality than are desirable, to print on lightweights and lower grade stock: if things go wrong he knows, too, who will be blamed.

At one time only the large print groups could raise the capital and find sufficient work to use the more advanced equipment which was becoming available for colour printing. Now the manufacturers have set their sights on the smaller printer who, in any case, was having a difficult time competing with the speed and technical efficiency of the big plants, and the equipment, much of it computer-based, has been scaled down in price and performance to match the more modest requirements of the small-to-medium office.

It must, however, be remembered that, though rules of thumb can be replaced by rows of buttons and switches, the fundamental principles of colour printing have not changed. There have been various, and vague, promises of a future in which the printer will be able to produce a full-colour reproduction in a single pass through a press unit, perhaps by an electrostatic system using powdered "inks" attracted to selectively charged areas of the paper surface, or perhaps by some adaptation of ink-jet printing which allows inks to be squirted through grids under electronically and computer-controlled conditions to create images to a programmed pattern of shapes and colours.

There is little point in going into such possibilities in any technical detail since, apart from the fact that the printing industry has had about as much new technology as it can digest, or afford, in the past couple of decades, it is unrealistic to suppose that to-day's efficient and automated systems designed for what is basically a conventional method of printing colour by separation and overprinting, will be abandoned after reaching their present stage of quality, speed and, above all, versatility. Some specialised applications, such as cartography, are already actively concerned with new methods of colour printing, but the mainstream of commercial work is content with what it has.

More important, for the future of colour printing, than any technical change, is the need for a balance to be struck between buyer and printer, with the former acquiring a more precise knowledge of what he is paying for, and the latter optimising the use of equipment which will make him a profit. In spite of the fast and impressive development of offset lithography the other major commercial printing processes—letterpress, gravure and, increasingly, screen printing (often mistakenly called "silk screen" printing)—have their places, and have shared, in various ways, in the improved technology of print.

Of the major processes gravure was the slowest to take advantage of more efficient, less craft-based and more highly automated methods, such as electronic cylinder engraving. Once the king of colour printing processes, it paid a heavy penalty for the high costs of origination of copper cylinders when web offset took off as a high quality colour printing process. Printing methods other than lithography will find their places—useful ones—only when buyers of print gain a better insight and more skill in evaluating the newer systems than is usually the case to-day.

Just as metal type is slowly but surely, disappearing from composing rooms, so the alchemy of colour reproduction aided by cunning hands and eyes is being replaced, in process departments, by electronic scanners and other equipment designed to drive the "art and mystery" out of print and replace it with more productive and technologically-rooted production methods.

Due to such improvements, the large capacity available for colour printing in most categories now available from the U.K. and its European competitors (to say nothing of those further afield, such as Japan and America) has made the industry highly cost-sensitive; so much so that printers might well be advised to rest on their laurels, technologically, and look harder at the business side. It is, for example, pertinent to ask whether expensive plant should be used, as it often is, on a "swings and roundabouts" principle, with the profitable jobs bolstering ones which are "marginally costed" (the polite term in print for price cutting) just to keep the plant turning.

Rockwell's Goss Metro machine.

Regular

While some of the larger plants can rely on regular "plum" jobs, such as mail order catalogues or magazines, to enable them to give ridiculously low quotes for the occasional "one off" run which comes their way, this policy does little good either to printers or customers in the longer run. It puts pressures on the smaller shop using sheet-fed presses, allows buyers to bully printers on price and, ultimately, could reduce the variety and versatility now available by forcing the smaller printer out of business. It has happened, and is happening now, and it may be too late, soon, for the positive technical advantages not to be wasted in cut-throat competition, leaving only the big groups with their packaged deals to survive in a weakened industry.

This is not necessarily an argument for higher print prices: it is a warning against the flip assumption that every step forward in printing technology is necessarily taken in the direction of price stabilisation.

If any major change can be discerned in the immediate future for colour printing, apart from the increasing assimilation by the industry of up-to-date production methods, it is that yet more specialisations will develop; making it even more important for buyers to look carefully, and in the right places, for what they want. Fewer printers will be able to—or, indeed, wish to—offer complete services "all under one roof," and will confine themselves to making the required number of impressions with their presses, which is, after all, where their profits lie. Specialised trade services for typesetting, colour scanning and other pre-press and finishing work will do the rest on many jobs, making it possible to take advantage of the best and most appropriate equipment as and when it is needed, and without expecting the printer to bear the high capital cost of installing such equipment in his own plant.

The much vaunted "technological revolution" is at last taking place in printing but, like most revolutions, there are casualties, and it is up to the industry and its customers to ensure that technological strengths are not bought at the expense of economic weaknesses and the industry weakened by its own efforts to give the customer what he wants.

Roy Brewer

The book revolution

ASK THE average member of the book-buying public to identify what he reckons to be the main factor behind the inflation in the cover price of books, journals and magazines over the past few years and the odds are that he is likely to say it has something to do with unfairly inflated costs of manufacture: that the production and printing costs—superimposed upon price rises in the pulp and paper markets—have been among the main driving forces at work.

Of course, it would be an uninformed suspicion. In reality, book cover prices have lagged behind the general rate of inflation, and the current lack of buoyancy in the book market can hardly be attributed to steep retail price increases.

What the book-buying public could not be expected to grasp is the speed of technological upheaval in the book printing industry, nor the sense in which print costs, as a proportion of cover price, have been chiselled at and battened down.

There is a lot going on. So much so that according to one U.K. sales manager: "The printing industry is caught in the middle of a technological revolution that will eventually have as far-reaching effects as the changes brought about by the Industrial Revolution."

In book publishing the labour force is already beginning to shrink, so that on the print side the shrinkage is probably approaching 12 per cent. and could progress towards 20 per cent. because of technological improvements and the apparently lower demand for printed products.

According to David Reason, U.K. sales manager of Holland Printing Partners: "The print industry has responded to the demand from publishers of books and general print users to keep down costs. This has resulted in even earlier acceptance of new methods and of equipment that cuts out one or in some cases a string of operations. For example, the reel-fed rotary book press delivers folded book sections ready for binding. This saves the separate folding operation and with it the jobs of at least two men. Multiply this by the number of times this has been repeated throughout the industry in the various departments introducing new methods and you get an indication of the effect this is having on labour cost."

Unwise

True, there is the prospect of over-capacity in the book print industry, although over-stringent cutbacks would be unwise. After all, the relative decline in book sales during the recession ought to be reversed once any liberalisation of pay restraint begins to show through in disposable incomes.

One of the companies at the forefront of book publishing's print upheaval is Billings of Guildford, which is part of the Blackwell Press of Oxford and whose managing director, David Hale, is an exuberant advocate of the revolution. "The high cost of print is nearly always blamed for the high cover price of books. It's exaggerated and unfair. Few seem to realise that total production costs rarely add up to one-fifth of cover price. The normal trade discount is around a third. The author gets 10 to 20 per cent. of the published price, which is probably not enough, but it is worth noting that authors sometimes get more for each copy of a book sold than goes on that book's total manufacturing cost."

Billings, says Mr. Hale, turns over approximately £4m. and probably accounts for as much as 10 per cent. of the British book market outside the paperback sector.

His particular contribution to hardback technology is the Billings Book Plan, whereby his company introduced a new system of mass book manufacture capable of entertaining very small print runs and rivalling the economies of scale sought after by paperback producers.

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[B]ritain's lead in the [b]anknote business

[NOTES], CHEQUES, [t]ravellers cheques, [...] all are promises from [an in]dividual or organisation [to] another individual or [organis]ation a sum of money. [...] by their nature [...] each note cannot [be dupli]cated for the same [...] cannot be made twice. [...] this obvious and [...] fact of monetary life [...] need for the security [...] The promissory [note must] be so constructed that [it is] impossible to copy, [or ...] it is so time-[consuming] and wearisome that [it is not] worth the monetary [value of the] note itself. The [...] such notes must em[ploy more] than usual artistry: [...] must approach as [closely] as possible to unsurpass[...].

[There i]s a second require[ment ...] upon him, which also sets [him ap]art from his fellows: He [must sh]ow a probity above the [...]: any man who is [...] printing his own [money] must convince his clients [that he] is unlikely to spend it [...].

[Secur]ity printing, then, has [...] techniques and prac[tices ...] which are to be found [nowher]e else. It has become [...]ly sophisticated, capable [...] the engraver's art [...] has come down through [cen]turies, together with the [most adv]anced design and sur[...]e equipment, in which [...]tion constantly take [...]

[Adv]ertise

[...] also, now, in a period [...]. There are two major [reasons] for this: in the first [...] developing countries are [...]ng increasing amounts of [...] and bonds, and often [...] plant and expertise to [...] notes. Second, bonds, [...] cheques, personal [...] have all, in the last [...]ars, become generally [...] and popular.

[...] company best placed to [take ad]vantage of these favour[able co]nditions is a British one, [De La] Rue, a specialist printer [for a] century and a half. To[day wi]th over 90 per cent. of [its m]arket abroad, it has been [[illegible]] corner large slices not [only of] the traditional banknote [market] but of the security sec[tor ...] stamps (revenue and [postage]), passports, identity cards, tickets (especially airline tickets), vouchers, bonds and share certificates.

It is also successful in what has become known as "money systems": cheques, credit cards, Giro documents and direct debit slips. The reason for its success derives partly from the fact that it is still the provider of a service in countries from which the British Empire has retreated: partly, too, because it has developed an integrated set of companies, which can supply products or services every step of the money way.

The money is made, principally, in Gateshead, the largest note-printing factory in the world, with a capacity to print over 8m. notes a day. De la Rue also makes the machines which count the money, through a company called De la Rue Crosfield — not just counting it, but dispensing it, accepting it, wrapping it and even detecting if it is forged.

There is a company within the group which moves the money — Security Express — with about 400 trucks in the U.K., specialising in moving money for the clearing banks. Finally, De La Rue, through its Italian subsidiary De La Rue Giori, makes the machines which makes the money. These machines are used in the company's own works, and exported to other countries.

De La Rue still uses the intricate art of the engraver. The company reckons there are only a dozen or so master engravers in the world, and that half of them work for De La Rue. A master engraver must serve a 15-year apprenticeship before he begins on the simplest of designs on his own account. But the company now has machines which can design notes from information fed into a computer, and which, it claims, are secure against forgery.

The company designs notes for over 70 countries—like Tanzania, New Zealand, Ireland (through a Dublin-based subsidiary), Paraguay, Ghana, Malaysia and Portugal. It owns and runs a number of mints, including the Nigerian mint, which made the company a handsome profit last year (£3¾m.). And while it recognises that, in time, many countries will want to take over their own money printing, it reckons it will be able to survive, as a partner.

De La Rue, while dominant in the money-making market, has one competitor in the U.K. —indeed, in the world—Bradbury Wilkinson, which has a plant at New Malden. Bradbury is competitive across the whole range of money and cheque printing with De La Rue, and also prints for a number of countries which lack their own mint. The company's "Magna" presses for printing money, made to its specifications, are attracting considerable worldwide interest.

Documents

There is another type of security printing: not of money itself, but of documents about money. The security side of this work is not aimed at determine the forger so much as the commercial spy. The companies in this area of work—collectively and reasonably accurately known as the city printers—must not only guarantee an acceptable level of security—more importantly, they must work at speed, and with complete accuracy.

The best known names in the market are Burrup Mathieson; Greenaways; Williams Lea; Wetertows: Metcalfe, Cooper; Oyez and Harrison. No one company completely dominates, and the competition for contracts is fierce.

A typical example of a city's printer's work might be: a call from a merchant bank late in the day—a 24-page document must be printed by the next morning at 7.00, so that one of the bank's directors can take copies with him to a business meeting in Brussels. At the same time, copies must be delivered to a number of points throughout Europe. The copy for the document will not be available until 10.30 that evening, to be collected from the director's flat. The order is accepted. "The demands made on us are absolutely staggering to any normal company, or even any normal printers," said a city printer.

Being able to cope with work like this means a number of things for an organisation. First, there must be 24-hour working. Second, the typsetting facility must be unusually large. Third, the company must either carry its own courier service, or have instant access to one which can cope with international work.

This in turn means that there is a large amount of spare capacity carried at any given time by all the city printers: and that means that in a recessionary period, times are that much harder. In 1972-73, several of the companies, including some of the leaders, passed through a bad patch, and some had to slim down to survive.

But now things are much rosier. Not only is the traditional bread-and-butter work of report and accounts holding up well, making the city printers work flat out from February to May, but the new Eurobond and Eurodollar markets have opened up an immensely lucrative source of revenue.

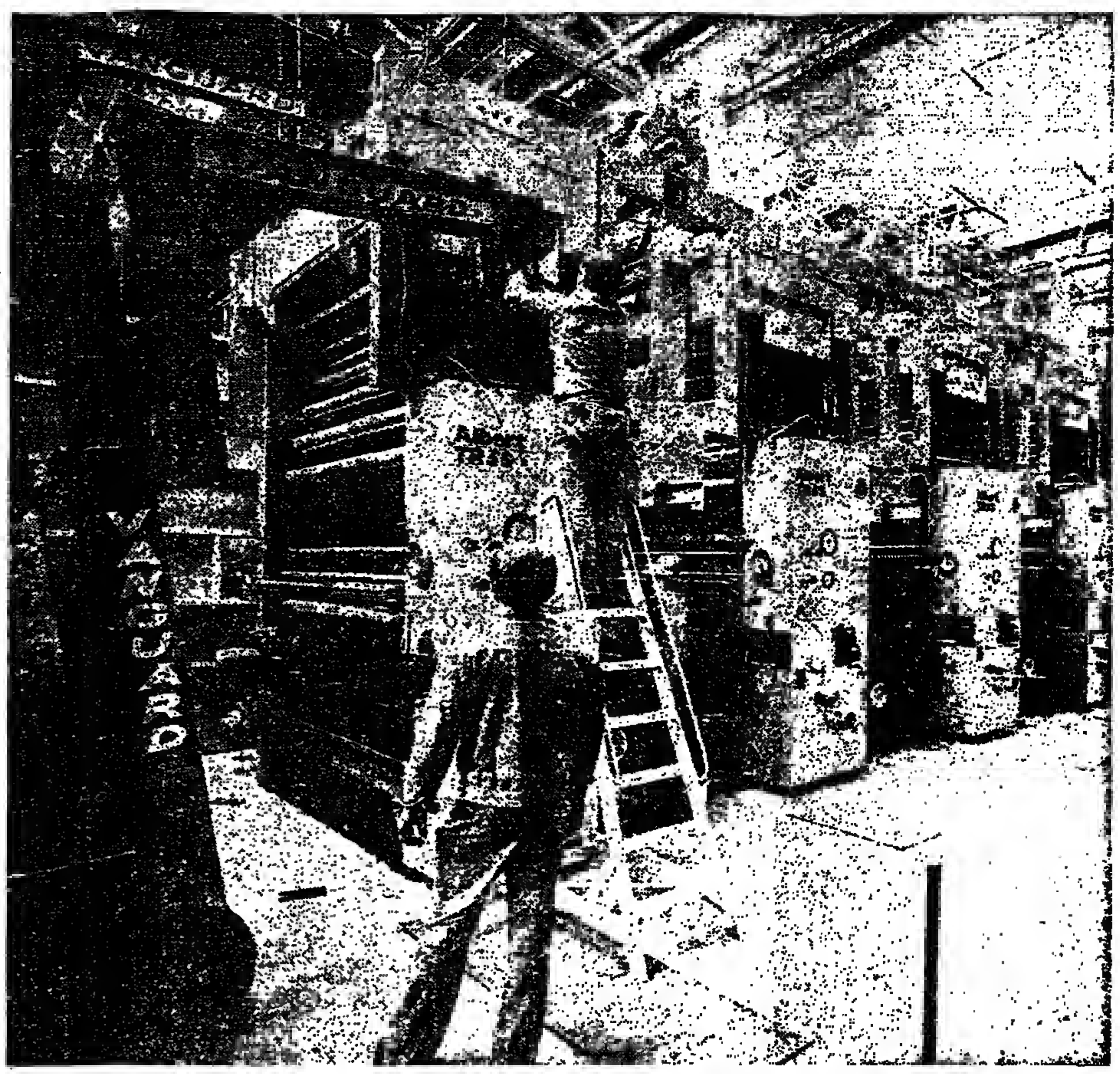
Reports and accounts form the staple business, though it is highly seasonal. Indeed, a big order for a rights issue or a prospectus coming in the spring is a city printer's nightmare—though all say that they will make shifts to cope with it. Here, accuracy and clear presentation are of the essence: and more and more, the printers are being asked to make the documents graphically pleasing.

Still in the domestic market, prospectuses are becoming increasingly important. The recent issue of 67m. BP shares meant the printing of one million prospectuses, which made one city printer very happy. All of them are rubbing their hands in anticipation of the recent news of the selling of IMI by ICI.

But it is the Eurodollar market which has really changed things in the last two years. Typically, a prospectus, or bonds, together with other documents, are asked for in London one day for delivery throughout Europe the next. This calls for speed, and the ability to deliver: the city printers reckon that it has shown they are easily the leading printers in Europe.

"We've had the experiance over decades working for the most demanding financial market in the world," said one. "We are geared up for this work in the way that the European printers are not." Most are hoping for work from European sources in the coming years.

John Lloyd



Installing a Gravure Press at Sun Printers in Watford.

Books

CONTINUED FROM PREVIOUS PAGE

Traditionally, hardback publishers have lived in a dream world, imagining that differences of an eighth of an inch in their page size, or their choice of creamy paper, was essential to sales. Mr. Hale thought otherwise. He reckoned there were two broad categories of product: those that were basically visual in their impact—art and cookery books and so on—where physical appearance was a major sales factor: and, a much larger category, informational or fictional titles where physical appearances, apart from jacket design, was less essential; where cover price, content and author's reputation reigned supreme and typeface, binding material and so on were almost irrelevant.

He persuaded Blackwell's that a mass-manufacture process based on only two qualities of paper and an intelligent use of web-offset could produce great savings in cost and time; indeed, the new system can render from 20 to 30 titles in just five days. This means that print runs of as little as 500 copies are economical compared with the average contemporary hardback print run of around 3,000.

Attractive

This sort of system can shave 20 per cent. off total printing, paper and binding costs. As for typesetting, the employment of bought-in computer time, says Mr. Hale, can prove highly attractive in cost-effective terms. Access to a truly sophisticated outside computer means that a vast range of work can be handled comparatively cheaply.

For instance, his firm has just printed "Fort Grunwick," written by Grunwick's owner, George Ward, which is to be published by Maurice Temple Smith. The computer work was done in 12 minutes—the book runs to about 45,000 words—and the film-setting was accomplished inside 30 minutes. The total printing and binding process took up no more than three days, whereas in the era of hot metal, before the advent of film setting and sheet printing, the typesetting for such a book may have taken up to a month and the total printing and binding anything from four to eight weeks. "We've got access to £5m. worth of hardware," says Mr. Hale. "We can use it as little or as often as we like."

The new technology, which has revolutionised paperback production and is now doing the same for hardbacks, is also making itself felt in the area of specialist, scientific and academic publishing, although with less speed because of the intricacies of typesetting in this field.

U.K. publishing, in common with most commercial sectors, has had to ride out the recession as best it can, so that although there was a 16 per cent. rise in publishers' turnover last year to an estimated £394m. worth, volume fell. As a result, the industry is taking a more aggressive advertising and marketing stance in a bid to capture the attention of the 48 per cent. of adults who, according to research, never visit a bookshop.

In the meantime, and more importantly, the print revolution moves on, and continues to ensure that the total manufacture and production costs of a book seldom represent much more than 20 per cent. of its retail price. It is comforting to think that the consumer at least has that to cheer about.

Michael Thompson-Noel

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due	Stock	Price £	Last xd	Yield Int.	Red.
20J 20D	Transport 4pc '72-77	99	16.5	4.00	4.43
15S 15M	Treasury 9pc 1978‡‡	101	9.8	8.86	5.04
14J 14Ju	Treasury 10½pc '78‡‡	103	6.1	10.12	5.05
26M 26S	Exch. 5pc '76-78‡‡	100	22.8	5.00	9.99
9S 9M	Treasury 11¼pc '79‡‡	106½	31.1	10.80	6.49
17M 17S	Treasury 3pc '79‡‡	96½	11.8	3.11	4.95
28M 28S	Electric 4¼pc '74-79	97½	22.8	4.36	5.64
1M 1N	Treasury 10½pc '79‡‡	106xd	25.3	9.88	7.10
15M 15N	Electric 3½pc '76-79	96xd	12.4	3.61	5.12
3S 3M	Treasury 9pc 1980‡‡	104¼	21.7	8.59	6.79
14N 14M	Treasury 9½pc '80‡‡	105xd	23.8	9.05	7.34
15D 15J	Treasury 3½pc '77-80	94¾	9.5	3.69	5.66
15D 15J	Funding 5¼pc '78-80‡‡	97½	9.5	5.38	6.28
25M 25N	Exchequer 13pc 1980‡‡	111xd	18.4	11.64	8.63
15J 15Ja	Treasury 11½pc 1981‡‡	107	8.6	10.63	8.69
15A 15F	Treasury 3¼pc 1979-81	93	11.1	3.76	3.85
1O 1A	Treasury 8¾pc 1981‡‡	103¼xd	23.3	9.45	8.67
4F 4A	Exch. 9¾pc 1981	102⅛	—	9.50	8.81
F21 A21	Exch. 3pc 1981e	92	—	3.26	5.34
17M 17N	Treas. Variable '81‡‡	98xd	—	5.37	5.85
23M 23N	Exch. 12¾pc 1981‡‡	113¼xd	18.4	11.27	8.87
15J 15Ja	Treas. 8½pc '80-82	99¼	8.6	8.56	8.69
15A 15F	Treasury 3pc '82‡‡	89¾	11.7	3.34	5.71
16S 16M	Treasury 14pc '82‡‡	118⅛	10.8	11.85	8.93
—	Treas. Variable '82‡‡	97⅝	—	5.02	5.48
Jan. June	Treas. 8¼pc '82e	97⅞	—	8.43	8.83
22M 22S	Exch. 9¼pc 1982	101	—	9.15	8.97

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

**INTERNATIONAL BANK

[illegible]

**CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS (Miscel.)

[illegible]

FOREIGN BONDS & RAILS

[illegible]

U S $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

AMERICANS—Continued

[illegible]

S.E. List Premium 31¼% (based on $US1.7705 per £)

Conversion factor 0.7631 (0.7498)

CANADIANS

[illegible]

S.E. List Premium 31¼% (based on $1.9563 per £)

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS

[illegible]

INDUST (Misc

[illegible]

هكذا من الأصل

هكذا من الأصل

INDUSTRIALS—Continued

INSURANCE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INV. TRUSTS—Continued

Finance, Land, etc.

FINANCE, LAND—Continued

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

AUSTRALIAN

TINS

COPPER

MISCELLANEOUS

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- • "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- φ Figures or report awaited.
- †† Unlisted security.
- ♯ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ‡ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ☆ Regional price.
- § No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1976-77. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1976. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: ⊕ ex dividend; ⊛ ex scrip issue; ⊕ ex rights; ⊞ ex all; ⊕ ex capital distribution.

"Recent Issues" and "Rights" Page 35

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

IRISH

OPTIONS

3-month Call Rates

Industrials

Property

Oils

Mines

FINANCIAL TIMES
Monday October 24 1977

Hitachi attacks British critics

By John Lloyd, Industrial Staff

HITACHI, the Japanese electronics group which is planning to open a colour television factory in Washington, near Newcastle-upon-Tyne, has criticised what it sees as the double standard operating among those trying to keep the company out of the U.K.

Mr. Ryozahuro Mori, the group's managing director in the U.K., said that many of the British TV manufacturers, who were lobbying hard to keep Hitachi out of Britain, constructed their sets largely from foreign components.

Hitachi has given an undertaking that the set it hopes to manufacture in Washington will contain at least 50 per cent. of British-source components. "That will make us more British than many of the British manufacturers," said Mr. Mori.

He was sceptical about the possibility of an agreement between the U.K. set makers and the component makers to the effect that the makers would buy most or all of their components from British firms in the future.

Discussions on such an agreement are now going on. Hitachi doubts that such an agreement would stand the test of time.

The company also feels maligned by its critics—who are drawn from the manufacturers and from the trade unions, especially the Electrical and Plumbing Trades Union—when they say that the company's market share will not stay at the level promised by Hitachi.

"We have said we want 5 per cent. of the market," said Mr. Mori. "At the moment, with a yearly market of 1.5m., that is about 75,000 sets. If the forecasts are correct, and the market rises to 2m. sets a year our 5 per cent. share will be 100,000.

Stated target

"This is what we have said to the British Government, which has invited us here. The Government will monitor our performance and output. We cannot back down from our stated target while retaining our reputation."

The company insists that it will not be interested in price cutting.

In some cases, the Hitachi 20-inch sets cost more than the British made 22-inch sets. "We are amazed that this is so. Some British sets are being sold at prices lower than our costs."

Mr. Mori said there were five reasons for Hitachi wanting to begin production in the U.K.: the British Government had invited the company to set up a factory in the north-east; Hitachi needed a production base in Europe; the company already had an assembly plant for its imported sets, and had found the British workers both happy and efficient; British component makers could supply many of the company's needs; Britain was the best base because of its low costs.

The Government is under increasing pressure from the industry to turn down Hitachi's application. It is unlikely that the lobbying will lessen because of Hitachi's assurance.

The industry is working considerably under capacity. Even if the hopeful forecast of a market of 2m. sets by the early 1980s proves to be correct, that will still leave the British industry short of its estimated 2.5m. capacity.

Mr. John Lloyd, a senior official of the electrician's union and a member of the "Little Neddy" electronics industry working party, said he "just did not believe" that Hitachi would keep to its proposed maximum of 100,000 sets a year.

Continued from Page 1

Ford men settle

This deal was worked out between unions and management late last week and the unions will recommend that workers accept the offer.

But Vauxhall could still be faced with having to start a progressive shut-down of its plants and start laying off workers from to-night because of the strike by 5,000 skilled workers who are upset at differentials over other groups of workers.

They have rejected a company offer of further talks on the question of differentials.

Hopes of an early end to the dispute which has halted production at Chrysler's Linwood plant were dashed last night after the company had rejected a peace formula put forward by the Scottish TUC. The dispute is over internal supervisory arrangements.

Apart from the pay and strike problems in Britain's motor industry, the Government's attention this week will be focused on pay negotiations in the public sector.

Unions of more than 1m. local Government manual workers start their pay negotiations to-day for substantial pay rises.

Australians expect December election

BY KENNETH RANDALL

CANBERRA, Oct. 23.

A DECEMBER General Election is expected to be announced this week by Mr. Malcolm Fraser, the Australian Prime Minister.

Mr. Fraser called a private meeting of senior Ministers at his western Victoria country home at the week-end to discuss the timing for an election, most favoured date for which is December 10, though December 3 is a possibility.

The September consumer price index figures, announced last week, are believed to have been the final factor in Mr. Fraser's timing. The election will come a year earlier than formally required.

The surprisingly small rise of 2 per cent. in the index compared with forecasts of 3 per cent. or more could not have been better for election purposes. In a broadcast to-night Mr. Fraser said the figures showed graphically that the Government's consistent economic strategy was correct, and that inflation on an annual basis was down to about 9 per cent.

He said it was the first time in more than four years that the inflation rate had been less than 2.5 per cent. in each of three successive quarters. Achievement of "single-digit inflation" by the end of this year was one of the present Government's most frequent promises in its successful election campaign two years ago.

The fortuitous outcome of the consumer price index—the most widely accepted measure of inflation—had now removed most of its worries on this score. A similar stroke of lucky timing was largely responsible for saving the Whitlam Labour Government when it was forced to a premature election in 1974.

Mr. Fraser is expected to say that the main reason for calling an election a year earlier than necessary is to remove uncertainties, especially in the business community, and to encourage investment decisions.

The more political explanation is that the Government's prospects of winning this year are bound to be better than next year, especially on the grounds of unemployment, already approaching 5 per cent. of the work force, and which by some estimates may be as high as 7 per cent. early next year.

Atmosphere

On Friday Mr. Faser and Mr. Philip Lynch, his Treasurer, held a conference with the State Premiers and agreed to measures to reduce the impact of unemployment on young people leaving schools and universities. They gave the State Governments a substantially higher share of income tax collection and primary administrative control over territorial waters up to the three-mile limit.

All were points of serious contention between States and the Federal Government, and their resolution will add to the favourable atmosphere for a Federal election.

Mr. Fraser and his colleagues will campaign on trade union militancy and on their decision to go ahead with uranium development and export.

The Government's standing in the opinion polls has recovered remarkably but most estimates are that its record majority in the House of Representatives, 55 seats, may be cut to a dozen or less.

● Police in Brisbane, the capital of Queensland, charged 371 people after a mass demonstration yesterday against the Federal Government's uranium policies. Those charged included Senator George Georges, Labour Opposition Whip in the Senate.

He claimed to-day that he had done no more than try to convince demonstrators to comply with police instructions.

The Brisbane demonstration led to confrontation because of new regulations which render illegal any march without police permission. About 5,000 took part.

About 20,000 anti-uranium demonstraters are estimated to have marched through Sydney yesterday, with minimal police surveillance and no arrests. The march was led by Mr. Tom Uren, Deputy Leader of the Federal Opposition.

Concorde wins breakthrough in Singapore

SINGAPORE, Oct. 23.

SINGAPORE AIRLINES (SIA) is to operate the Anglo-French supersonic Concorde airliner on the Singapore-London route in what amounts to a breakthrough for the aircraft in the Far East.

The airline, one of the most successful in Asia, said that it would lease one Concorde direct from British Airways on a joint service three times a week.

Second success

The agreement, which will be formally announced to-morrow amounts to the second success for Concorde within a week.

The jet was finally allowed to land at New York's Kennedy Airport on Wednesday after a drawn-out controversy over the noise it makes.

Observers in Singapore said the SIA move was expected to create fresh interest in Concorde among other airlines, and the next step could be the use of Concordes on the long London-Australia route.

The aircraft, previously flown only by British Airways and Air France, will stop at Bahrain and is expected to halve the present fastest London-Singapore service of 15 hours. It will carry the red white and blue colours of BA on one side and SIA's blue and yellow livery on the other.

SIA declined to say how much it would pay to lease the aircraft.

A rough idea of how much it would cost, however, is indicated by the fact that Philippines Airlines was once seriously contemplating leasing Concorde for about $1m. a month.

The deal with Singapore Airlines comes after protracted negotiations here with British Airways and also the Anglo-French manufacturers of the aircraft.

If the leasing deal is a success, SIA may well buy a Concorde outright.

So far, airlines such as Philippines Airlines and Korean Airlines have expressed interest in Concorde, but have not gone much further in discussions to lease or buy the aircraft.

Letters of intent by Iran and China to buy the jet have not been converted into firm contracts.

A Concorde marketing team visited the Far East last year, calling at Hong Kong, Manila, Singapore, Seoul and Jakarta.

Aviation sources here said that success on the London-Singapore route could lead to extensions to Hong Kong and Japan as well as Australia.

Reuter

Continued from Page 1

Tax cuts decision

to aid the construction industry and a Christmas bonus for pensioners.

The rise in personal tax allowances likely to be announced this week will be backdated to the beginning of the tax year and will involve the payment of a rebate next month.

Treasury Ministers also hope to outline the medium-term plans for public spending, though some other members of the Cabinet want the announcement to be delayed to allow time for further discussion.

Richard Evans writes: Mr. James Callaghan, the Prime Minister, told the Board of Deputies of British Jews in London yesterday that the country's financial circumstances had improved, but its economic and industrial circumstances had still to get better, and this was the real test of where the nation's strength would come.

"There was too much gloom last year and there is perhaps in certain circles too much euphoria this year. Both were wrong."

EEC faces fisheries battle with Silkin

By Christopher Parkes

EEC AGRICULTURE Ministers face a stormy session over fishing policy with Mr. John Silkin, Britain's Minister, when they open two days of talks in Luxembourg to-day.

Mr. Silkin, who is resigned to a drawn-out and testing struggle to "assure the U.K. fishing industry a profitable future," flatly rejected the EEC Commission's plans for a revised Common Fisheries Policy during a speech at Maidstone on Saturday.

The Commission produced a draft policy based on catch quotas for the Nine's fleets on Thursday. British officials in Brussels complained that the draft did not satisfy U.K. claims for a national zone at least 12 miles wide with preferential catching rights for British boats in areas beyond this stretching 50 miles or more into Britain's 200-mile zone.

Mr. Silkin told members of the Maidstone Labour Party: "As it stands the Common Fisheries Policy does not meet the legitimate needs of the British fishing industry or of the people who work in it.

Future

"I am afraid, however, that I cannot promise any immediate improvements for them. We must achieve major changes, and, tempting though it may be, we will not settle for any minor improvements for the sake of quick agreement."

The Government was determined that the fishing industry should have a viable future "even if fighting for this means prolonged negotiations in Europe."

Mr. Silkin has been one of the leading opponents of all Community efforts to work out a new fish policy over the past year. He has seen the British fleet driven out of its Icelandic fisheries and failed to win them re-admission.

U.K. trawlers have been awarded only disappointing catching rights off Norway and in other deep-water fisheries. Now the fleet's main hope of keeping up catches lies within the Community's 200-mile area.

Commenting on his efforts to clamp down on agricultural prices, the Minister said that during his visits to other EEC capitals he had found a great deal of dissatisfaction with the farm policy.

Close watch

But while other Ministers wanted changes, their demands were not always compatible with his. For example, there were those who wanted to take advantage of the impending enlargement of the Community to increase the price of fruit and vegetables from the South of the EEC.

"We will have to keep a very close watch on this since it could be very expensive.

"We are now in the run-up to the 1978 price fixing. Early this year I took a stand to ensure that price increases were kept to the very minimum, and we achieved the lowest price increases since we joined the Community.

"Fortunately there seems to be growing awareness in the Commission and in some—though not all—other EEC capitals that severe restraint on prices is essential," Mr. Silkin said.

Weather

U.K. TO-DAY

CLOUDY with outbreaks of rain and some sunny periods.

London, S.E., E. Anglia, Chan. Islands

Rather cloudy, rain in places. Max. 17C (63F).

Cent. S. and S.W., Midlands

Mostly cloudy, rain at times. Max. 17C (63F).

E., N.E., Cent. N. and N.W., Lakes

Mostly cloudy, rain at times. Max. 16C (61F).

Isle of Man, Borders, Edinburgh, Dundee and Aberdeen, W. and N.E. Scotland, Glasgow, Cent. Highlands, Moray Firth, Orkney, Shetland

Cloudy, occasional rain, brighter later. Max. 13C (55F).

Argyll, N.W. Scotland, N. Ireland

Bright periods and showers. Wind southern moderate or fresh locally strong. Max. 13C (55F).

Outlook: Mostly dry in south with sunny spells and some fog and rain.

BUSINESS CENTRES

	Y'day mid-day	°C	°F		Y'day mid-day	°C	°F
Amsterdam	[illegible]	[illegible]	[illegible]	Madrid	[illegible]	[illegible]	[illegible]
Athens	[illegible]	[illegible]	[illegible]	Manchester	[illegible]	[illegible]	[illegible]
Bahrain	[illegible]	[illegible]	[illegible]	Melbourne	[illegible]	[illegible]	[illegible]
Barcelona	[illegible]	[illegible]	[illegible]	Milan	[illegible]	[illegible]	[illegible]
Beirut	[illegible]	[illegible]	[illegible]	Montreal	[illegible]	[illegible]	[illegible]
Belfast	[illegible]	[illegible]	[illegible]	Moscow	[illegible]	[illegible]	[illegible]
Belgrade	[illegible]	[illegible]	[illegible]	Munich	[illegible]	[illegible]	[illegible]
Berlin	[illegible]	[illegible]	[illegible]	Newcastle	[illegible]	[illegible]	[illegible]
Birmingham	[illegible]	[illegible]	[illegible]	New York	[illegible]	[illegible]	[illegible]
Bristol	[illegible]	[illegible]	[illegible]	Oslo	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	Paris	[illegible]	[illegible]	[illegible]
B. Aires	[illegible]	[illegible]	[illegible]	Perth	[illegible]	[illegible]	[illegible]
Cairo	[illegible]	[illegible]	[illegible]	Prague	[illegible]	[illegible]	[illegible]
Cardiff	[illegible]	[illegible]	[illegible]	Reykjavik	[illegible]	[illegible]	[illegible]
Chicago	[illegible]	[illegible]	[illegible]	Rio de Jo.	[illegible]	[illegible]	[illegible]
Cologne	[illegible]	[illegible]	[illegible]	Rome	[illegible]	[illegible]	[illegible]
Copenhagen	[illegible]	[illegible]	[illegible]	Singapore	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	Stockholm	[illegible]	[illegible]	[illegible]
Edinburgh	[illegible]	[illegible]	[illegible]	Strasbourg	[illegible]	[illegible]	[illegible]
Frankfurt	[illegible]	[illegible]	[illegible]	Sydney	[illegible]	[illegible]	[illegible]
Geneva	[illegible]	[illegible]	[illegible]	Tel Aviv	[illegible]	[illegible]	[illegible]
Glasgow	[illegible]	[illegible]	[illegible]	Tehran	[illegible]	[illegible]	[illegible]
Helsinki	[illegible]	[illegible]	[illegible]	Tokyo	[illegible]	[illegible]	[illegible]
H. Kong	[illegible]	[illegible]	[illegible]	Toronto	[illegible]	[illegible]	[illegible]
Jo'burg	[illegible]	[illegible]	[illegible]	Vienna	[illegible]	[illegible]	[illegible]
Lisbon	[illegible]	[illegible]	[illegible]	Warsaw	[illegible]	[illegible]	[illegible]
London	[illegible]	[illegible]	[illegible]	Zurich	[illegible]	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]	[illegible]				

HOLIDAY RESORTS

	Y'day mid-day	°C	°F		Y'day mid-day	°C	°F
Ajaccio	[illegible]	[illegible]	[illegible]	Las Palmas	[illegible]	[illegible]	[illegible]
Biarritz	[illegible]	[illegible]	[illegible]	Locarno	[illegible]	[illegible]	[illegible]
Blackpool	[illegible]	[illegible]	[illegible]	Majorca	[illegible]	[illegible]	[illegible]
Bordeaux	[illegible]	[illegible]	[illegible]	Malaga	[illegible]	[illegible]	[illegible]
Boulogne	[illegible]	[illegible]	[illegible]	Malta	[illegible]	[illegible]	[illegible]
Casablanca	[illegible]	[illegible]	[illegible]	Nairobi	[illegible]	[illegible]	[illegible]
Cape Town	[illegible]	[illegible]	[illegible]	Naples	[illegible]	[illegible]	[illegible]
Corfu	[illegible]	[illegible]	[illegible]	Nice	[illegible]	[illegible]	[illegible]
Dubrovnik	[illegible]	[illegible]	[illegible]	Oporto	[illegible]	[illegible]	[illegible]
Faro	[illegible]	[illegible]	[illegible]	Rhodes	[illegible]	[illegible]	[illegible]
Florence	[illegible]	[illegible]	[illegible]	Salzburg	[illegible]	[illegible]	[illegible]
Funchal	[illegible]	[illegible]	[illegible]	Tangier	[illegible]	[illegible]	[illegible]
Gibraltar	[illegible]	[illegible]	[illegible]	Tenerife	[illegible]	[illegible]	[illegible]
Guernsey	[illegible]	[illegible]	[illegible]	Tunis	[illegible]	[illegible]	[illegible]
I. of Man	[illegible]	[illegible]	[illegible]	Valencia	[illegible]	[illegible]	[illegible]
Jersey	[illegible]	[illegible]	[illegible]	Venice	[illegible]	[illegible]	[illegible]

S—Sunny. F—Fair. C—Cloudy. R—Rain.

Germans to check security at Palma airport

BY ADRIAN DICKS

BONN, Oct. 23.

THE SPANISH Government, faced with a West German threat to ban all flights originating at Majorca from landing in West Germany, was reported to have agreed to-day to the stationing of unarmed German security men at Majorca's Palma Airport.

Palma was among 13 airports named by Bonn's Ministry of Transport as having inadequate security precautions. The West Germans have now applied formally to station security personnel at each one. The 13 airports include Barcelona, Algiers, Dakar, Bombay, Istanbul and Tripoli.

Shortly after last week's rescue of the 86 hostages from a hijacked Lufthansa airliner at Mogadishu, the German airline's management disclosed that it had several times asked the Spanish authorities for more stringent security precautions at Palma.

Even after the Lufthansa flight was hijacked, German travellers from Palma reported that checks on passengers and baggage remained perfunctory.

The new checks are expected to be carried out by unarmed members of the Federal Border Guard.

It is understood that they will be backed up by armed local police in Spain and at Dakar, where the Senegal government has also agreed to their presence.

Meanwhile, no apparent success has yet followed the international manhunt for 16 West German terrorists, who include the murderers of Dr. Hanns-Martin Schleyer.

The scandal over lax security conditions in the special wing of Stammheim prison, near Stuttgart, where Andreas Baader and two other terrorists managed to commit suicide last week shows no signs of ending. Over the week-end investigators found razor blades and other objects in the cell block.

In Hamburg, Dr. Kurt Waldheim, UN Secretary-General, predicted that the General Assembly would take new anti-hijacking action this week.

● The problem of terrorism is likely to figure on the agenda at next month's meeting of the International Air Transport Association in Madrid, where the world's major scheduled airlines seem likely to call for more concerted action.

Airlines believe that steps should be taken to tighten up The Hague Convention of 1970 and the Montreal Convention of 1971.

Sale of Aintree 'will not affect National'

BY MICHAEL THOMPSON-NOEL

IN SPITE of the reported sale of Liverpool's Aintree racecourse by the Walton Commercial Group, Ladbroke's, the betting and leisure combine, was adamant last night that it would run the next Grand National in line with its agreement with Walton.

Mr. Ronald Lasteed, a Maidstone scrap metal dealer, said at the week-end that he headed a three-man consortium that had bought Aintree for between £2.5m. and £3m.

He would guarantee the Grand National for ten years and use part of the Aintree site to develop one of Europe's biggest sports complexes.

A spokesman for Mr. Cyril Stein, chairman of Ladbroke's, said last night that the company had heard of the "alleged sale" of Aintree, but would still run the next Grand National.

Walton bought Aintree from the Topham family for a reputed £3.2m. in 1974. By August 1975, interest payments and the cost of improvements had pushed the total cost of the purchase to about £4.25m.

After unsuccessful attempts to sell the course, Walton made a £1.5m. deal with Ladbroke's in December 1975. Ladbroke's was to rent the course—and the Grand National—and receive all income.

In return, Walton would receive lump sums of £200,000 a year for the first two years, £225,000 a year for the next two and £250,000 a year for the last three.

Mr. Lasteed said last night: "We are paying less for it than Walton did three years ago. We think we have a pretty good deal.

"I don't back outsiders. In fact I rarely bet. If I do, I bet each way."

The other members of his consortium were an internationally-known ice hockey star and a "major person in films." Full details of the purchase would be announced this week when the scheme had been finalised.

Mr. Lasteed plans to see Mr. Denis Howell, the Minister for Sport to-day to discuss the move.

"The future of the Grand National is secure and guaranteed. We will be running it for 10 years at least. The race is part of our national heritage."

The sports complex planned for Aintree would take several years to complete, but would be the largest in the North of England and one of the largest in Europe. The consortium hoped to reintroduce Grand Prix racing at Aintree and stage international athletics meetings and soccer.

More than £1m. would be needed for development, but this would be raised over a number of years and presented no immediate problem.

The deal was completed on Thursday after nine months' negotiations.

It seemed last night that Ladbroke's was not overjoyed by the news. It said that it had successfully revived the fortunes of the race over the last two years and that its agreement with Walton made it clear that it would be staging next year's race.

If the new owners wished to assume responsibility for the Grand National in 1979, they would have to terminate the tenancy agreement with Ladbroke's before May 31 next year and pay a penalty of "up to £250,000."

Mr. Peter Thompson, managing director of Ladbroke Grand National, a subsidiary, said "I can confirm that whoever owns the course, the 1978 Grand National will be run by Ladbroke's. I am sure that the public's only interest is in the successful continuance of this great race."

Power threat

ELECTRICITY SUPPLIES are threatened from to-day by an unofficial work-to-rule and overtime ban among industrial staff at the Central Electricity Generating Board's power stations.

The Board said that it was impossible to predict what the effect, if any, would be.

THE LEX COLUMN

Unravelling the Rank riddle

The first point to make about the new trading arrangements between the Rank Organisation and Xerox—announced in New York late on Friday night—is that the net income of both companies will not be affected by the change. This may seem paradoxical, in view of the fact that Rank Xerox in the U.K. and Rank Xerox Holdings BV in Holland will now find themselves paying an annual charge of some $70m. as their share of Xerox's r and d spending—which in the past they received for nothing.

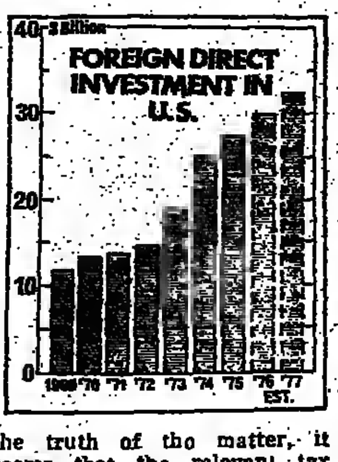
The explanation is that the Rank Organisation's slice of the cake will be calculated as though this charge did not exist as an operating expense. Under the 1969 agreement, giving Xerox voting control of the Rank Xerox companies, the first £7.4m. of pre-tax profits was to be shared equally between Rank and Xerox, while the remainder was to be divided two-thirds to Xerox, one-third to Rank. At least half of the net profits of the joint companies was to be distributed.

Rank's share will still be calculated on this basis. The change is that r and d charge will come out of the profits attributable to Xerox. In effect, the U.S. company is exchanging an r and d receipt for part of its dividend.

Then why the change? The most obvious explanation is that in an increasingly price-sensitive environment, Rank Xerox's artificially high profit margins attract attention. In its 1976 report, the Monopolies Commission recognised that a notional charge for American r and d should be imposed on Rank Xerox's profits to make them comparable with those of other companies in the copier field. Other observers may not be as understanding.

Although Rank's profits share will continue to be calculated on a pro forma set of accounts *before* r and d provisions, profits published by the individual companies—such as Rank Xerox Ltd.—will be struck *after* their share of central r and d charges.

The tax ramifications of all this remain unclear. Last year Rank Xerox Ltd. paid tax of £16m. in the U.K. and £63m. overseas, figures which must be substantially reduced if the new r and d element is fully allowable for tax. It may also be more tax-efficient for Xerox in the U.S. to receive its income in this changed form. Whatever the truth of the matter, it seems that the relevant tax authorities have approved the deal.



Buying American

Sandoz, Beecham, Racal, Turner and Newall, Bayer, Siemens, Nestlé — the list of European companies buying into the U.S. lengthens almost weekly. It is fortunate for Wall Street and mid-town Manhattan that the first move for any foreign company planning a U.S. investment must be to hire a first-class lawyer and find a good investment bank. The financial and managerial problems of a U.S. investment are small compared with the potential pitfalls of procedure and law.

The European investor has three options. It can build its own plant from scratch, as Shell Oil is doing with its new $500m. ethylene complex near New Orleans—but Shell has exceptional power and for most companies this approach is both too slow and too expensive. An alternative is to establish a joint venture as Reckitt and Colman has done with Morton Norwich. But acquisition remains the most popular route. According to a recent Commerce Department study, 58 per cent. of the foreign investment it monitored between 1970 and 1975 took the form of acquisitions, 25 per cent. were new ventures, and 17 per cent. were joint ventures.

Virtually all European acquisitions of publicly owned U.S. companies have been through cash tender offers—it is the simplest method. Plessey offered shares for Alloys Unlimited but that was an exception. Most foreign companies prefer to offer cash and ditch the SEC's rigorous disclosure requirements. It is also perfectly acceptable for a foreign company to make a partial bid—the most recent exam[ple] Turner and Newall's [bid] for 52 per cent. of [...] Hunt Chemical Co[...] Apart from cutting [the] cost of the acquisition [a partial] bid allows the U.S. co[mpany to] retain its share quotati[on ...] could come in handy [at a] later date.

For a foreign bid [to be] successful it has normal[ly been] agreed beforehand. Th[ere have] been cases of success[ful con]tested bids—the R[...] controlled Imetal, for [...] took over Copperweld [after a] long struggle. But [such] instances are rare and [a resis]tant management can d[elay an] unwanted bid for years b[y going] to the courts.

Consequently, a foreig[n com]pany traditionally has to [pay a] handsome premium to [secure] agreed control. Bayer is [paying] $47 per share for Miles [Labora]tories against a pre-bid [price of] $25 while Nestlé is pa[ying a] 40 per cent. premium for [...] As a rough guide Lehman [Brothers] reckons a foreign compa[ny would] have to pay about 50 pe[r cent] more than the pre-bid pri[ce or] 25 per cent. over net asset [value.] But then many U.S. com[panies] are selling at well belo[w] asset value on Wall Stre[et.]

Financing a U.S. acquisi[tion is] relatively simple. Germ[an and] Swiss companies tend to p[ay for] acquisitions out of thei[r own] resources. U.K. compani[es, by] contrast, are subject to [exchange] controls [and] normally arrange mediu[m-term] bank finance and then re[finance] it later in the private plac[ement] market.

Disclosure

Indeed one of the main [attrac]tions about investing in A[merica] is the existence of the private placement market [which] offers fixed rate mone[y for] terms of up to 25 years [and] are no special dis[closure] requirements or onerous rules which is a big adv[antage.] Lehman Brothers, for ex[ample] believes that most of the [...] U.K. companies could tu[rn to this] market.

Apart from this some finance some companies, as Beecham, have funded acquisitions with Eur[obond] issues and Consolidated Fields financed its recent [take]over of Hydro Conduit [...] tion via a currency swa[p. This] latter form of off-balance [sheet] financing looks like be[coming] an increasingly importan[t source] of finance for U.S. acquisi[tions.]

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